

IMPACT OF GLOBALISATION ON EMPLOYMENT AND EMPLOYMENT RELATIONS: PERSPECTIVES FROM THE INDIAN PHARMACEUTICAL INDUSTRY

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1. PROLOGUE: CONTEXTUALISING THE IMPACT OF GLOBALISATION

The Indian pharmaceutical industry is expected to grow at a rapid pace and accomplish an expected volume of more than US\$ 50 billion by 2020¹. Accordingly, the industry is gaining prominence vis-à-vis the global competitiveness paradigm. Pharmaceutical companies operating in India are constantly in search for ways and means of meeting the requirements of the competitiveness paradigm. In this perspective, cost considerations, intensive marketing approach etc appear to be the important factors driving competitiveness. However, one of the important areas of focus for the pharmaceutical companies is to accrue the benefit of cost advantage with emphasis upon low-cost manufacturing and efficient product promotion. In this regard, manpower cost reduction exercise as part of the overall cost reduction exercise appears to be a strategically important domain of decision-making of the top management of the pharmaceutical companies in India (PWC, 2011). The implications of cost issues and the concomitant employees' perspective are also highlighted in international literature on employment relations (Robbins, 2004). Furthermore, companies are also exploring ways and means of establishing strategic alliances on areas like product sourcing, drug discovery, clinical development and marketing and sales (PWC, 2011). Collaboration between big and small pharmaceutical

¹ India Pharma Inc. Enhancing value through alliances and partnerships,CII, downloaded from <https://www.pwc.in/.../pharma/PwC-cii-pharma-summit-2011-v2.pdf>

companies on specific areas is also conspicuous in the contemporary period. Again, merger and acquisition are common occurrences in the Indian pharmaceutical industry today. All these issues relating to strategic action orientation of pharmaceutical companies are aimed at gaining competitiveness in the era of globalisation. Furthermore, these aspects also have substantial impact on employment and employment relations in the pharmaceutical sector in India.

Noticeable changes have been observed in employment pattern and employment relations in the Indian pharmaceutical industry in the era of globalisation. The employees of the pharmaceutical industry especially the field workers, i.e., the sales promotion employees, who are popularly known as “medical representatives”, are required to fall in line and adapt themselves with the different aspects of the global competitiveness paradigm. While the paradigm appears to be imperative, there has been considerable impact on employment and employment relations. According to the employees and their association, there have been conspicuous changes in this context and employees are subject to unprecedented nature of work which has implications for employment relations. Competitiveness has forced companies to emphasise on enhancing the retail sales endeavour of sales force. On the otherhand, employees’ association in this sector has been expressing concerns against job-cuts, enhanced work pressure through electronic reporting system, compulsion on employees to support the contentious marketing practices of pharmaceutical products, unwarranted transfers, violation of the relevant legal provision and agreements etc.

The present paper is concerned with an analysis of the current issues in employment and employment relations in the Indian pharmaceutical industry in the context of the contemporary business trends. The important issues have been primarily identified and conceptualised on the basis of the inputs obtained from the employees’ association and secondary data sources. In this

context, interviews with leaders of employees' association, the newsletters of a leading employees' association² and secondary information sources have been utilised to understand the perspective in a better way. A basic framework on employment and employment relations with respect to the Indian pharmaceutical industry has been developed and the specific issues have been identified and analysed in the next section of this paper. These have subsequently corroborated with the opinion of the employees and the managerial staff. The opinion of employees has been obtained through a structured questionnaire survey using snowball sampling technique. Statistical techniques involving computation of mean, standard deviation, Spearman's rank correlation coefficient and non-parametric test (Mann-Whitney test) have been employed. One of the important aspects of the analysis involves tracking employees' opinion on relative importance of "collectively bargained service conditions" and "individual service conditions". The paper ends with the development of a model of employment and employment relations that is relevant in the light of the contemporary realities of the pharmaceutical sector in India.

2. UNDERSTANDING THE IMPACT OF GLOBALISATION ON EMPLOYMENT AND EMPLOYMENT RELATIONS

Introduction

The field workers i.e. the medical representative have an important role in the sales function of pharmaceutical companies. Pharmaceutical marketing in India cannot be conceived without this category of human resources who are required to utilise their knowledge, skills and abilities to promote the pharmaceutical products and also provide competitive edge to their respective companies in terms of market penetration through effective sales promotion. The field workers represent the facade of pharmaceutical marketing. Leading Indian pharmaceutical companies

² Various issues of FMRAI NEWS, Organ of the Federation of Medical and Sales Representatives of India, downloaded from <http://www.fmrai.org/newsletter.php>

employ 3,000-5,000 medical representatives, while the smaller companies engage nearly 2000 of them and nearly 60% of a pharmaceutical company's promotional budget is expended on the medical representatives³. However, in moving towards adopting technology to minimise the cost of marketing and promotion, the field workers' job has become much more challenging on one hand and vulnerable on the other. Transition toward information technology-driven e-detailing is now emerging as an effective mode of communication between the field workers and doctors⁴. Field workers are therefore required to adapt themselves with this changing paradigm in pharmaceutical sales.

Analysis of the Impact on Employment

Employment pattern and perspective have undergone transformation in the era of globalisation. In their effort to minimise cost, even the larger pharmaceutical companies have reduced their head count. Merger and acquisition are common business phenomena in the Indian pharmaceutical industry in the era of globalisation. These types of corporate restructuring strategies have serious implications for employment since a rational outcome of these strategies is the reduction in head count and the field workers have to face the consequences of such types of strategies. One of the consequences of globalisation and its concomitant effect on competitiveness is that it has resulted in competitive disadvantage to many companies. As part of strategic action orientation, some of the pharmaceutical companies are pursuing retrenchment strategies and following a 'shrink' approach through manpower reduction and preferring the alternative forms of employment largely based on employment of casual and contractual employees. There has also been trend of allocation of production to third parties and continuation

³Med representative's job partly vanishing, Business Standard, New Delhi, October 15, 2013.

⁴ Ibid.

of production with a reduced production facilities and employment of employees with reduced earning and enhanced workload. In their effort to gain cost advantage, some companies are opting for a mode of employment wherein the responsibility of employees are borne by a third party. In brief therefore there is an increasing trend in preferring a mode of employment through employment of more number of casual and contractual employees. According to the dominant union in this sector, access to stable employment seems to be one of the important demands of workers and there has been demand for restoration of the field workers' identity through legally amended appointment letter. It's a pity that employees in this sector are demanding proper notification at the government level with regard to decent working hours and timings for the sales promotion employees. It therefore seems that the pharmaceutical field workers are more vulnerable vis-à-vis the emerging form of regulation and employment. Since the form of employment has skewed against employees' interest. However, having no other alternative, they are required to fall in line with the emerging paradigm.

Analysis of the Impact on Employment Relations

In the pharmaceutical industry, employment relations has undergone sea change in the light of the changes in business environment of pharmaceutical companies. As part of alignment of business strategies and employment relations strategies several trends can be observed. In this regard it is quite obvious that pharmaceutical companies will develop employment relations strategies that would better support the achievement of their respective corporate goals. Possibly for this reason, organised unionism may be considered to be detrimental to the achievement of business strategies. As one of the members of a leading pharmaceutical company opines "Trade unionism actually eliminates freedom of companies to take the best out of an employee,"⁵

⁵ <http://www.livemint.com/Politics/8drJt4zkgiDrSIS07eyz3H/Drug-industry-says-sales-reps-are-managers.html>

Furthermore, as “part of a broader initiative to make the company more customer-centric and competitive”⁶ union resistance strategies are being preferred by some companies. From the organised union perspective, it can possibly be argued that as the form of employment has skewed against employees’ interest, the need for unionisation has been enhanced to a considerable extent. Issues relating to employment relations in the Indian pharmaceutical industry have also attracted the attention of the International Labour Organisation(ILO)⁷. In this context, the allegation of one of the employees’ association, FMRAI regarding unfair labour practices in one of the Indian pharmaceutical company, in the form of unwarranted transfers, victimisation and penalisation of several union leaders and activists; announcement of lockout; withdrawal of the union recognition etc. was brought to the notice of the ILO. The importance of the dominant employees’ association for collective bargaining purposes for healthy employment relations was emphasised. In India, there is prevalence of company-specific council for consolidation of pharmaceutical company-specific field workers’ and addressing the issues relating to employer-employee relations. However, according to one of the unions in this sector, the three generic rights that are still relevant in the present day perspective are demand for bargaining rights, demand for trade union rights and demand for legal rights. Furthermore, demand for issuance of appointment letters as per Form A of, Rule 22 (I), section 5 of SPE Act and Constitution of Grievance Committee as per ID (amended) Act 2010 are important issues relating to employment relations today. There has also been allegation of violation and non-compliance of the provisions of the prevailing Sales Promotion Employees (Conditions of Service) Act, 1976.

⁶ Ibid.

⁷ http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:50002:0::NO::P50002_COMPLAINT_TEXT_ID:2901945

One of the interesting trends in this regard is that the field workers are being redesignated in various names. However, some employees and the employees' association feel that this has been done so as to deter them from being members of unions. The principal union has organised protests against this tendency which it claims as a deliberate policy to put the field workers under the 'non-bargaining' category and also against industry's attempt to disrupt the unity and the movement of the field workers. Accordingly to the dominant union, the need for unionisation has intensified in recent times in view of the need for developing "strong group identifications and solving grievances with mutual understanding"⁸. Employees in the pharmaceutical sector had to resort to strikes at the national level and in some cases at the company-level as well. On the contrary there have been instances of signing of settlement and agreement between the union and the management relating to compensation and other issues. For example, one of the leading pharmaceutical companies resolved the long-term wage issue through a collective bargaining agreement and it has been reported that there has been plenty of discussion between the management and union⁹. In fact it has also been reported that the union and the management of the company mutually agreed on the change of reporting pattern of the field workers into electronic reporting, using ICT. Thus, union acceptance strategy (Gomez-Mejia, Balkin and Cardy, 2004) appears to be a preferred strategy in the Indian pharmaceutical sector in view of its effectiveness for achieving the organizational objective of uninterrupted business process. In India, the Industrial Tri-partite Committee for the Sales Promotion Employees (ITC-SPEs) was formed in January 2014 to address the vulnerability of the employees against discrimination, and restrict conflict in this sector. It was repealed and subsequently restored in October 2014¹⁰. According to the dominant union, the need for ITC-SPEs has been felt in the present situation

⁸ Based on the documents available from the union.

⁹ www.pharmabiz.com/ArticleDetails.aspx?aid=62603&sid=1

¹⁰ FMRAI News, 1 November 2004.

wherein, there has been alleged discrimination of sales promotion employees and violation of legal provision for the protection of employees' interests.

3. IMPACT OF GLOBALISATION ON EMPLOYMENT AND EMPLOYMENT RELATIONS: ATTITUDE OF FIELD WORKERS IN THE INDIAN PHARMACEUTICAL INDUSTRY

Introduction

In order to understand the perspective in a better way, an effort has been taken in this paper to track the opinion of field workers through a questionnaire survey. A structured questionnaire designed for the purpose containing several issues relating to the impact of globalisation on employment relations has been designed. The items have been identified on the basis of the issues analysed in the previous two sections. The issues on which the discernment of field workers has been obtained comprise competitive pressure on the pharmaceutical companies in era of globalisation; challenge on field workers in maintaining a balance between promotional campaigns designed to increase sale of their respective company and ethical standards in sales promotion; enhancement of challenge in field workers' jobs in the era of globalisation; awareness regarding the legal protection available to field workers in the pharmaceutical industry in India; right of the company-management to determine working arrangement and assignment without reference to other employees; provision for employee voice and opportunity on matters related to daily work; provision for individual contracts in the context of terms and conditions of employment in pharmaceutical sector; general observable change in a pharmaceutical company's approach and policies towards field workers; perceived reduction in the freedom of pharmaceutical companies to take the best out of an employee by trade unionism and the need for a common form of movement and protest in the era of globalisation. Furthermore, the questionnaire also contains items signifying perceived challenges with regard to stringent forms of reporting; threats on job security; increase in work pressure and perceived importance

pertaining to re-designation of field workers; decent working hours and timings for the field workers; provisions of Sales Promotion Employees (Conditions of Service) Act and Industrial Disputes Act; Industrial Tri-partite Committee for the Sales Promotion Employees. The attitude towards demand for individual professional rights; demand for legal rights; demand for trade union right and demand for bargaining rights has also been incorporated in the questionnaire. Response has been obtained from 31 field workers spread across 12 pharmaceutical companies in India comprising large, medium and small companies. Opinion of the managerial staff of 5 pharmaceutical companies has also been obtained in order to confirm or contradict the views obtained from the employees and the employees' association.

Analysis and Interpretation of the response on Some Basic Issues on Employment and Employment Relations

As previously discussed, majority of the employees surveyed are union members and the percentages of members and non-members are 87 percent and 13 percent respectively. The mean values signifying the degree to which employees agree with regard to the first 10 issues identified in the questionnaire have been depicted in the figure I below. This in other way signifies the importance of some of the basic issues on employment relations as perceived by the employees. It appears from the survey that the change in employment and employment relations in the Indian pharmaceutical industry is inevitable. Accordingly, all the important stakeholders of the pharmaceutical industry have no other option but to accept this change and suitably adapt with the emerging paradigm. Majority of the field workers accept the fact that competitive pressure has increased on the pharmaceutical companies in era of globalisation. This has also been corroborated with the opinion of the managerial staff. However, the difference rests upon the way the problems and perspectives are perceived. The managerial staff believe that the field workers need to be more aligned with the business targets. The field workers surveyed in

general have a positive attitude regarding the role of union in the pharmaceutical industry and believe that they look forward to the union for a collective action on different issues related to their professional interest. With regard to the question as to whether employees prefer collectively bargained service conditions and individual service conditions, a mixed response has been obtained. While employees believe that the need for a common platform form of movement and protest has increased in the era of globalisation, they agree to a certain extent that company-management has the right to determine working arrangement and assignment without reference to other employees (mean value: 3.48); and support that there may be provision for individual contracts in the context of terms and conditions of employment in the pharmaceutical industry (mean value: 3.29). The item that has lowest mean value corresponds to whether trade unionism imposes restriction on the freedom of pharmaceutical companies to take the best out of an employee (mean value 2.94). Thus employees in general believe that trade unionism do not create hindrance vis-à-vis employee performance. This opinion is quite encouraging for the trade union movement. However, this may also be considered as a rational response from the responding employees who are mostly members of the union.

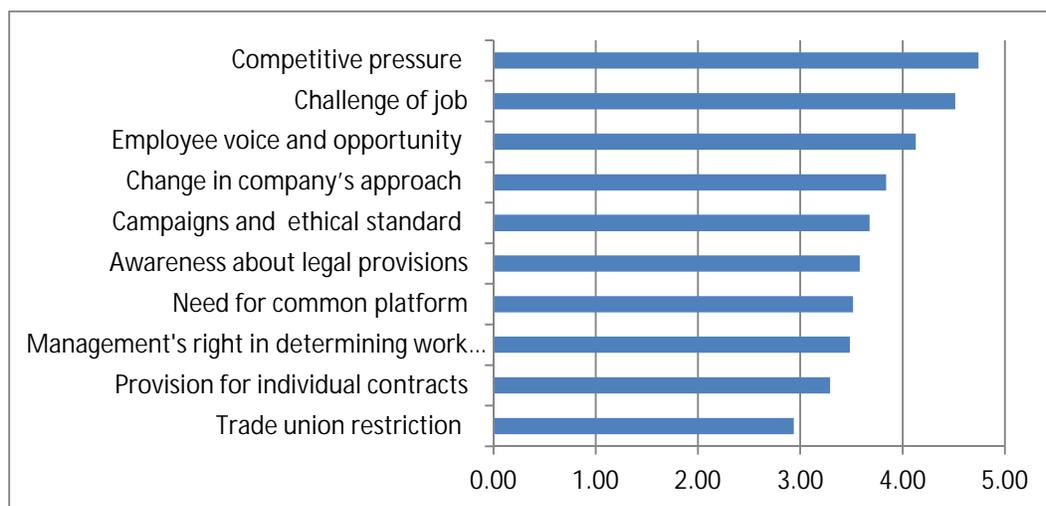


Figure-I: Basic factors regarding employment and employment relations

Employees' opinion regarding the challenges and importance of some issues relating to their profession has been analysed. It has been observed that field workers are more worried about the stringent reporting aspect which according to many of them has increased in the era of globalisation. The field workers believe that the online reporting system is strenuous since a lot of detailed reporting needs to be made to the company. Work pressure also has increased which is evident from the high values of mean score ascertained in this category. Job security is an important issue but not as important as the other two issues previously discussed. Comparatively lesser mean scores regarding re-designation of field workers and working hours possibly signify that the field workers have accepted the re-designation exercise which is a common practice in the pharmaceutical industry today. Furthermore, they have also agreed to a considerable extent that extended working hours need to be accepted for the interest of the company and job security. In this regard it can also be argued that one needs to work more even by defying group norms.

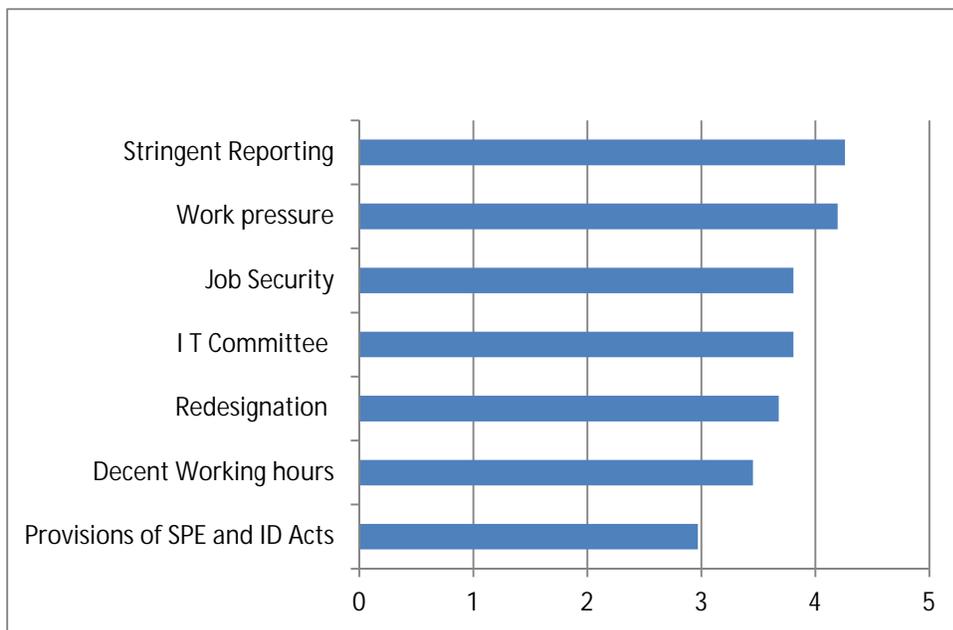


Figure II: Challenges and Importance of Some Identified Issues

With regard to the opinion of the field workers regarding the basic rights, it has been observed that demand for legal rights has the highest relative importance followed by the demand for

individual rights, bargaining rights and trade union rights. Thus, from this pattern of response, it possibly appears that concern for individual service conditions has relatively greater priority over collectively bargained service conditions.

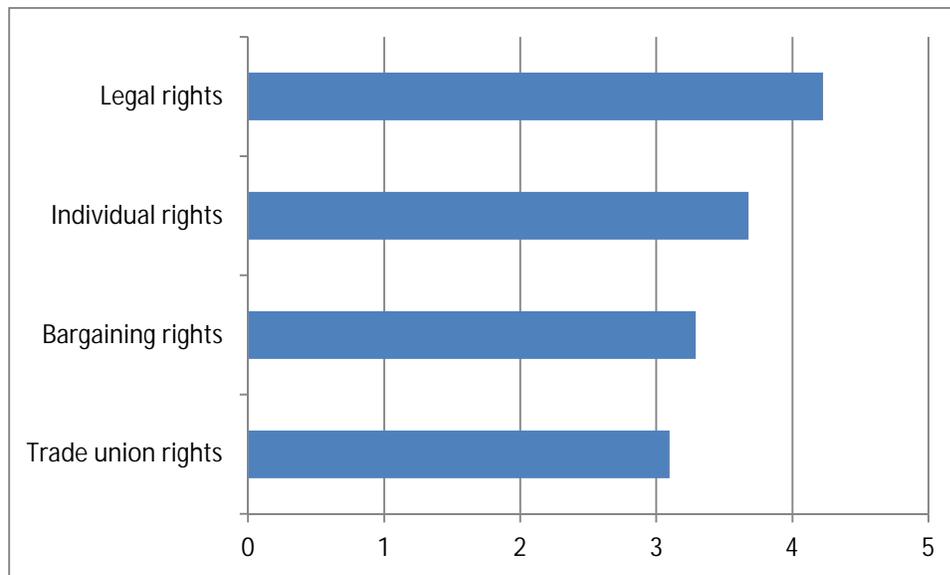


Figure III: Relative Importance of the demand for various rights

Analysis and Interpretation of the Results of Correlation Analysis

An effort has been taken in this paper to understand the nature of relation among the different aspects of employment and employment relations as perceived by the field workers. In this exercise, non-parametric correlation analysis involving Spearman's rank correlation coefficient (r) has been used to understand the nature of relationship. In this context some important relationships both positive as well as negative are being discussed. A positive relation ($r=0.526$) between the change in approach of pharmaceutical companies in the era of globalisation and provisions of Sales Promotion Employees (Conditions of Service) Act and Industrial Disputes Act signifies the importance of legal provisions in the era of globalisation to protect the employees. This can further be substantiated from the positive association between the need for a common form of movement and protest with two issued namely re-designation of field workers ($r=0.548$) and Industrial Tri-partite Committee for the Sales Promotion Employees ($r=0.380$).

Thus in view of vulnerability and precarious nature of work, the need for the twin support of legal protection and trade union back-up emanates from the response from the employees. The item relating to re-designation of field workers has positive relationship with trade union restriction ($r=0.364$), need for a common form of movement ($r=0.548$) and negative relationship with decent working hours ($r=-0.391$) and provisions of Sales Promotion Employees (Conditions of Service) Act and Industrial Disputes Act ($r=-0.463$). The negative relationship signifies that when employees accept re-designation as an imperative action on the part of the company, they are ready to work for additional hours and are possibly not worried about the regulatory aspects relating to their work. These employees who accept re-designation are likely to fall in line with the company policies and this in other way justifies the positive relationship between this item and trade union restriction.

Analysis and Interpretation of the Results of Non-parametric Test

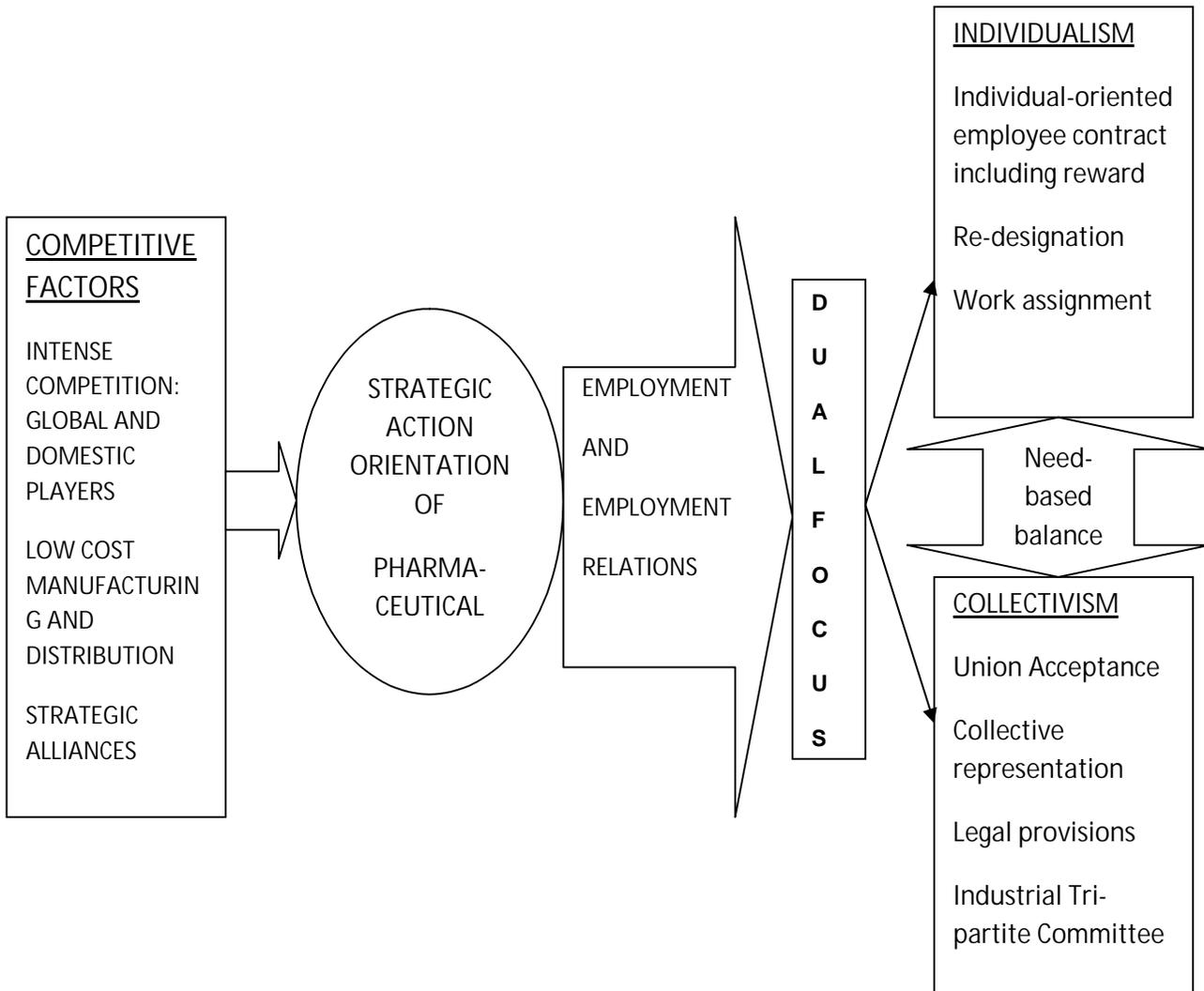
Results of the non-parametric test carried-out in order to understand whether there is any statistically significant difference in the opinion of the field workers on the basis of two background variables namely, age and experience reveal that there is non-statistically significant difference in the opinion on majority of the issues. However, it has been observed that on the basis of age-wise categorisation of field workers, there is statistically significant difference on the employees' attitude towards demand for trade union right and demand for bargaining rights. In carrying out the non-parametric test, employees have been categorised into two groups namely younger (less than 30 years of age) and older (greater than 30 years of age). In this context, the statistically significant difference on these two issues signifies that the younger and older generations of the sales force in the Indian pharmaceutical industry have difference in attitude towards trade union and bargaining rights. Results of the mean values corresponding to these two

categories reveal that there is higher mean values (3.62 and 3.75) for the older generation as against lower mean values (2.533 and 2.80) corresponding to the younger generation. This difference may be because of the experience regarding the trend in employment relations in the pharmaceutical industry. The younger generation is more oriented towards the contemporary trends in the era of globalisation which possibly impel them to have a difference in attitude with regard to these two rights. Again it has been observed that on the basis of experience-wise categorisation of field workers, there is statistically significant difference on employees' attitude as to whether trade union reduces the freedom of pharmaceutical companies to take the best out of an employee by trade unionism. In this context, employees have been categorised into two groups namely less experienced (less than 5 years of experience) and more experience (more than 5 years of experience). In this perspective, the statistically significant difference largely arises out of the difference in attitude towards the role of trade union. This difference may be also because of experience regarding the trend in employment relations in the pharmaceutical industry.

EMPLOYMENT AND EMPLOYMENT RELATIONS IN INDIAN PHARMACEUTICAL INDUSTRY: SEARCH FOR AN APPROPRIATE MODEL

It appears that the focus of the present day perspective of employment and employment is related to the approach of strategic human resource management wherein the emphasis is on an organisation's intentions and plans about how its business goals should be achieved through people (Armstrong, 2006). Issues relating to employment and employment relations in the context of the competitiveness paradigm have been documented in existing literature (Wever, 1995; Collins, 2001). In this context, experts highlight the challenges posed by competitiveness on employment relations and trade unionism (Eaton, 2000; Hepple, 2005). These issues are also relevant in the Indian pharmaceutical industry in the identified perspective. On the basis of the

insights drawn from the existing literature coupled with the perspective drawn from the previous two sections, an effort has been taken to develop a model on employment and employment relations in the Indian pharmaceutical industry as shown in figure IV.



As evident from the model, employment and employment relations should emanate and be aligned with the strategic action orientation of the organisation. This assertion emanates from the present-day perspective and from the insights drawn from the interviews conducted with the members of the managerial staff of the pharmaceutical companies. The challenge for the pharmaceutical companies is to maintain balance between the two approaches identified by experts viz. individualism and collectivism (Purcell, 1987; Armstrong, 2009). Employees'

opinion obtained through questionnaire survey and follow-up interview also pinpoints towards perspective. Thus companies as well as employees need to maintain this balance. This balance can be forged in the context of terms and conditions of employment and choice of voice mechanism. Pharmaceutical employees may accordingly be dealt with individually and collectively and the right balance needs to be maintained. It may appear to be difficult exercise however, the realities of the emerging perspective impel companies to follow this approach.

CONCLUSION

An effort has been taken in this paper to analyse the impact of globalisation on employment and employment relations from a holistic perspective. Accordingly, the relevant issues have been identified and analysed. The basic premise of this paper lies in its approach aimed at understanding the concerns that are relevant in the context of employment and employment relations in the era of globalisation. The pharmaceutical industry in India has been selected since this is one of the sectors on which the impact of globalisation is more conspicuous. The paper highlights the issues that the employees' association and the management of business organisations in general, and pharmaceutical companies in particular, may consider in driving their respective organisations towards the achievement of their desired goals by following a balanced approach.

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Biography

Dr Partha Sarkar has been serving the University of Burdwan, India, since December, 2001 in the field of Human Resource and General Management. Dr Sarkar has carried out his doctoral research work on the nature of relationship between business strategies and human resource management practices. He has contributed a number research papers in various reputed journals and edited volumes in several areas encompassing business strategy, strategic human resource management, and economic development. Dr. Sarkar has actively participated and presented research papers in various national and international seminars, conferences and workshops.