



Concept of industrial democracy and workers' participation in management- An analytical study.

Eslavath Raju, LL.M., University College of Law, Hyderabad- 500 007, Telangana

Abstract. With a view to finding solution to these problems of industrialization, it was considered necessary to establish industrial democracy in India for the ultimate creation of Socialistic Pattern of Society. Rapid industrial development and attainment of economic self-reliance are the two major tasks which the country among others has set out to accomplish. The key to achieve these objectives is increased production and productivity. Output cannot be increased unless there is effective co-operation between employee and management at all levels. The only way of ensuring this is to satisfy their social and psychological needs besides economic ones. Workers' participation is one of the most significant modes of resolving industrial conflicts and encouraging among workers a sense of belongingness in establishment where they work.

Key Words: Employee Participation, Self-realization, Psychological needs, Socialistic Pattern of Society, Frustration, Industrial Democracy.

Introduction: The concept of workers' participation in management has been a rather vague and debatable issue in the field of industrial relations and, therefore, it has acquired different meanings for different people.¹ It appears generally that the concept of workers' participation in management has its roots in the human relations movement in the domain of industrial organisations² since the humanitarian approach to labour brought about a new set of values for labour and management—those replacing *power by persuasion; authoritarianism by democracy and compulsion by cooperation*. According to Johannes Schregle³, "*Workers' Participation is based on the fundamental concept...that the ordinary worker invests his labour in, and ties his fate to, his place of work and that, therefore, he has a legitimate right to have a share in influencing the various aspects to company policy*". The factors strengthening this feeling on the part of the workers have been:

→The increased application of technology in industry requiring greater co-operation of workers on account of the complexities of operations of production;

→The changing outlook of the employers recognizing that workers are not slaves but partners towards the accomplishment of the goals of the enterprise;

→Growth of trade unionism safeguarding the interests of the workers and protecting them from possible exploitation by their employers;

→The growing interest of the government in increasing workers' welfare; and

→The need for increased and uninterrupted production which can be possible only when the work-force is happy and contented.

The Second Five Year Plan of India brought to focus a number of progressive trends in the field of labour



policy, the more important of these being *the principle of workers' participation in management* or rather, as the Plan very modestly put it, *increased association of labour with management*. The Plan had the over-all objective of realizing a socialist society. Such a society, to quote the Second Plan itself, "is built up not solely on monetary incentives but on ideas of service to society and the willingness on the part of the latter to recognize such service. It is necessary in this context that the worker should be made to feel in his own way he is helping to build a progressive State. *The creation of industrial democracy is thus a prerequisite for the establishment of a socialist society*".

The concept of workers' participation in management is an essential ingredient of industrial democracy and indicates an attempt on the part of an employer to build his employees into a team which works towards the realization of a common objective.⁴ The term 'industrial democracy' has thus generally been accepted in the sense of workers' participation in management. According to Ian Clegg⁵, "*It implies a situation where workers' representatives are, to some extent, involved in the process of management decision-making, but where the ultimate power is in the hands of the management*". In the words of V.G. Mehtras, "*The concept of participation as a principle of democratic administration in an industry implies a share by the rank and file in the decision-making process of an industrial organisation through their representatives at all the appropriate levels of management in the entire range of managerial action*". K.C. Alexander⁶ considers, "a management to be participative if it gives scope to the

workers to influence its decision-making process on any level or in any sphere, or if it shares with them some of its managerial prerogatives".⁷ The concept of industrial democracy may, therefore, be defined as '*a system of communication and consultation, either formal or informal by which the employees of an organisation are kept informed of the affairs of the undertaking and through which they express their opinions and contribute to managerial decisions*".

According to H.A. Clegg, "*Industrial democracy consists, in part, of the opposition of trade unions to the employers, and, in part, of the attempt of the employer to build his employees into a team working together towards a common purpose*". He elaborates three basic principles of industrial democracy, viz.,

1. Trade unions must be independent both of the State and of the management;
2. Only the unions can represent the industrial interest of the workers; and
3. Ownership of industry is irrelevant to good industrial relations.⁸

Clegg felt that by remaining independent of the State, trade unions can safeguard the interests of workers properly and further pleaded that trade unions should not participate directly in management as by doing so they will be inevitably drawn into an organizational role conflict, with workers as ultimate losers. However, he did not object to unions sharing managerial responsibility if they do so without losing their independence. He also dismissed the proposal that another group of workers' representatives, outside the trade unions, should assume



managerial authority as this may lead to a struggle between the two organisations, both claiming to represent the workers. Besides, workers do not have necessary technical skill and ability required for managerial functions. In his view, any attempt by modern-day 'industrial democrats' or supporters of workers' control to stretch out the influence of workers or their representatives or their unions into the realm of management threatens to destroy the very basis of industrial democracy. "Democracy in management does not mean that supervisor need overtake a ballot. It does mean that he must consult his staff frequently. It only means that he must give them a chance to express themselves, to think with him in arriving at a decision rather than just to receive decisions, to be free to apply their own intelligence rather than being told every detailed step in how they must perform them".⁹ As regards Clegg's emphasis on the existence of an accountability of leadership to an electorate which has the power to remove that leadership".¹⁰ As regards Clegg's principle of sole representation and his opposition to the formation of any other workers' organ participating in management, Paul Blumberg observes that "*The trade union is not superfluous in a factory with a system of workers' management because the two bodies, though both representing the worker, represent different functions and different interests of the worker. The function of the trade union is to protect the interests of the worker as a producer. In so far as these functions are desirable, both the organisations are justified and neither of them is redundant*".

Objects and Methods (Forms) of Workers' Participation: Practice in Various Countries: The principle of

workers' participation in management affords a means of self-realisation in work and meets the psychological needs of men and women at work by eliminating to a very large extent any feeling of futility, isolation and consequent frustration that they face in normal industrial setting. Participation forges ties of understanding among individual and leads to better efforts all-round. Such a measure helps in

→promoting increased productivity for the greater benefit of the enterprise, the employees and the community;

→giving employees a better understanding of their role in the working of industry and of the process of production; and

→satisfying the workers' urge for self-expression, thus leading to industrial peace, better relations and increased co-operation.

Thus, it is generally recognized that *measures to promote co-operation between management and labour serve two main purposes, one economic and the other moral and social; the former to ensure increased production and the latter, increased recognition of the importance of the human element in industry*. Since increased production consistent with the dignity of the worker cannot be achieved except through very large measure of co-operation between management and labour, such co-operation becomes all the more imperative in the planned economy of a socialist state. In the words of G.D.H. Cole, "Better participation and greater responsibility in the decision-making process on the part of workers tends to develop in them organizational loyalty, confidence, trust, a favourable attitude



towards supervisors and a sense a involvement in the organisation". In the words of G.S. Walpole, "Participation gives to the worker a sense of importance, pride and accomplishment; it gives him the freedom and the opportunity for self-expression, a feeling of belonging to his place of work and a sense of workmanship and creativity. It provides for the integration of his interests with those of the management and makes him a joint partner in the enterprise".¹¹

The methods or forms of workers' participation in management vary from industry to industry and country to country depending upon the system of the economy, the style of management, the subjects or areas in which participation may be sought and the pattern of labour-management relations. The various methods in which workers may participate in management are joint consultation, collective bargaining, joint decision-making and information sharing. Workers' participation in management has been considered by I.L.O primarily in connection with consultation and co-operation between employers and workers at the level of the undertaking. The most common method of workers' participation in management viewed as a system of *Labour Management Consultation and Co-operation* is through special bodies variously denominated as joint production committees, works committees, works councils, management councils, etc. Another method is through workers' representation in the directorate or board of management of the enterprise. In Great Britain, Sweden, Poland, etc., there is joint consultation model of participation, the management taking the final decisions but allowing the representatives of workers to express

their views before a decision is arrived at. *Joint Consultative Committees* are the means used for the purpose.

Broadly speaking, schemes of workers' participation in management are based on mutual agreements between employers and workers in certain countries and on legal sanction in others. The scope of the schemes, voluntary or statutory, as indicated earlier, varies from country to country and even from establishment to establishment. While joint consultation is the foundation of most schemes, direct participation or control by workers is not general and is sometimes even rejected by workers themselves.

There is plenty of co-operation in such matters as personnel policies and practices, disciplinary control, size of the working force, re-absorption of redundant personnel, etc., but such co-operation is written into collective bargaining agreements. In some countries, representatives of labour sit on boards of management, particularly in publicly operated services. For instance, one or more representative of the staff are appointed to the boards of management of State Railways in countries such as Belgium, Canada, France, Italy, Norway, Switzerland, etc. In nationalized industries, in France, representatives of the staff sit on Boards of Directors, often different grades of the staff being given separate representation. Similarly, in Austria, the representatives of labour sit on the management of the nationalized electricity services. Participation is taken a step further in the Federal Republic of Germany, where the scheme is one of co-determination. In companies other than those in mining and iron and steel industries, one-third of



the members of supervisory boards must be elected by the employees of the undertaking. In companies like mining and iron and steel industries, there is party representation of employees and shareholders on supervisory boards. In these latter industries, there are management boards generally of three members, of whom one is a labour director, and the other two are in charge of commercial and technical sides. A still more advanced type of participation is what is called 'auto-management' where the workers are in control of the management through workers' councils and management boards. These two bodies had large powers to plan, organize and execute, though the details of execution of policy were left to the director of the undertaking. This is strictly not a case of participation in management but is one of complete control of management.

Workers' Participation in Management in India: Association of labour with management has become a necessity of the time. The Second Five Year Plan in India considered that increased association of labour with management would help towards the successful implementation of various plan projects and, therefore, recommended the provision of councils of management consisting of management, technicians and workers in large establishment in organized industries. As a preliminary step to give effect to this recommendation, the Ministry of Labour and Employment, set up a tripartite *Study Group* consisting of representatives of employers, workers and government in October, 1956 which visited a number of European countries to study the various types of schemes of workers' participation in management

that had already been tried out in these countries and to seek clarification on a number of difficult issues that were known to be closely bound up with them. On return, they submitted a report to the government.

The *Study Group* favoured a scheme of joint management councils for introduction in this country. The recommendations of the Study Group were accepted by the Indian Labour Conference in 1957 and after discussion in a seminar in January, 1958, the scheme of Joint Management Councils was formulated. A significant feature of the scheme was that there was no legal sanction, and *tripartite agreement formed the sole basis for the introduction of the voluntary scheme*. The seminar was convinced that "Joint Management Councils will thrive only in an atmosphere of mutual confidence and goodwill". It took note of the gradual improvement in the attitude of employer and trade unions towards each other and felt that there was a need for continuous educative work both on the side of labour and management. The Third Five Year Plan recommended the setting up of JMCs in all industrial undertakings found suitable for the purpose, so that, in due course, the scheme might become a normal feature of the industrial system. The subsequent plans also emphasized the importance of such participation as a fundamental link in the chain structure of harmonious industrial relations.

Essential Features, Functions and Progress of Joint Management Councils

The essential features of the scheme for Joint Management Councils in India have been: (i). The Council has been entitled to be consulted on certain specified matters; (ii). In some others, the management has



been expected to share information with the council; and (iii). In a set of functions, administrative responsibilities have to be given to it. As regards the functions of the Councils, (i). The Council has to be consulted by the management on matters like administration of Standing Orders and their amendment, retrenchment, rationalization and closure, reduction in or cessation of operations, (ii). The Council has also the right to receive information, to discuss and to give suggestions on general economic situation of the concern, the state of the market, production and sales programmes, organisation and general running of the undertaking, methods of manufacture and work, the annual balance sheet and profit and loss statement and connected documents and explanation, long-term plan for expansion, redeployment, etc. (iii). The Council has to be entrusted with administrative responsibility in respect of administration of welfare measures, supervision of study measures, operation of vocational training and apprenticeship scheme, preparation of schedules of working hours and breaks and of holidays, payment of rewards for valuable suggestions received from the employees, etc. (iv). All matters, e.g., wages, bonus, etc., which are subjects for collective bargaining and individual grievances were excluded from the scope of the Council.

In drawing up the above list of functions, it was made clear that if the parties to the JMC agreement so desired, the items in the list could be altered and transferred from one group to the other. In fact, much more was left to the parties to settle than is popularly recognized. This wide scope was not fully utilized by the JMCs. By and large, adequate

precautions were taken for the JMCs to evolve into a potent force for improving the prospects of industrial harmony.

In its approach to the problem of industrial relations, subsequent Plans had reiterated the policy of associating labour more and more with management and favoured the progressive extension of the scheme of Joint Management Councils to new industries and units so that in the course of a few years, it may become a normal feature of the industrial system. It was further stressed that for the peaceful evolution of the economic system on a democratic basis, it would be essential that workers' participation in management should be accepted as a fundamental principle and an urgent need so that, in course of time, management cadres could arise out of the working class itself.

The tripartite committee on labour-management cooperation, set up by the Government of India to advise on all matters connected with the implementation of the scheme for JMCs reviewed the working of Joint Management Councils in 1961 and made certain recommendations to hasten the progress of the scheme. A special cell was set up in the Department of Labour and Employment. Most State Governments designated special officers to promote the scheme. At the end of March, 1975, there were Joint Management Councils functioning in 80 establishments (31 in Public and 49 in Private Sector).

The scheme of JMC could not make much headway due to the failure to develop new positive attitudes and institution necessary for their working though evaluation reports often revealed that, where the councils were taken seriously



by both parties and attempts made to work towards the purpose for which they were set up, the JMCs had shown results. Some of the important benefits accruing from the formation of Joint Management Councils are claimed to be better industrial relations, a more stable labour force, increased productivity, reduction of waste, higher profits and above all closer understanding between management and workers. Unfortunately, the trade union movement in India is not as strong as it ought to be and it also suffers from internal rivalries and group conflicts. As long as the workers' are divided, workers association in management would only mean a certain section of workers and such participation has tended to cause more harm than good to organizational productivity and effectiveness. This has naturally given opportunity to the employers for not being genuinely interested in these schemes.

The National Commission on Labour also reported that there was little support for the institution of JMCs in their existing form. Even where the Councils existed, they were ineffective and their functioning was unsatisfactory in many cases. The reasons for this were:

→Although the representatives of central organisations of employers and workers supported the scheme at national conferences and committees, they showed adequate interest in making their affiliates enthusiastic about it;

→Progressive employers who already had a system of consultation with their workers through a recognized union and/or works committees found the JMC in its current form superfluous;

→Managements are generally averse to having a multiplicity of joint bodies and so or unions;

→Lack of cordial industrial relations and absence of even arrangements like work committee, grievance procedure and union recognition.

The JMCs, therefore, could not be a resounding success at any place either from the point of view of employers or labour as neither party has worked for polarizing it further. In fact, workers' partnership can be of real value only when there is consciousness both on the part of the workers and employers to work shoulder to shoulder and must consider that they are partners in an industrial system which is to provide for the community its essential necessities.

The National Commission on Labour recommended the amalgamation of the Joint Management Council with the Works Committee, though some members of the Commission did not favour such amalgamation. In their view, while the works committee is a statutory requirement, it is confined to minor problems of a day-to-day nature arising in the course of working of a plant, Joint Management Council was a voluntary arrangement functioning on a much higher level with a far wider scope and higher objectives beyond the reach of the Works Committee. According to their view, the Joint Management Council was not just one more bipartite committee; it represented a concrete agency to work out the basic trusteeship philosophy propounded by Mahatma Gandhi. (Gandhiji wanted each partner—capitalists and labour—to function as a trustee of the other and both together should consider themselves as co-trustees



of just trustees for the welfare of the community so that no action of either of these trustees, viz., capital and labour, shall ever go against the interests of the community. The community, on its part too should function as a trustee of both labour and capital and see to it that it does not permit any act which will undermine the safety, security and welfare of either industry or labour). The setting up of JMCs in industrial units, in their opinion was, therefore, an attempt to work the philosophy of co-partnership in industry and co-trusteeship of the community. They felt that it would be wrong in principle to suggest the amalgamation of the Works Committee and the Joint Management Council. The two were different and were intended to meet different ends.

It has, thus, been suggested that whenever there is an enlightened employer and a single, strong and healthy trade union, believing in prosperity through co-operation and where in consequence, there has been a long spell of harmonious industrial relations leading to a sense of belongingness in the minds of workers, the JMC should be tried on a selective basis, gradually increasing the area of consultation and participation so as to be ultimately all-comprehensive. Experience gained thereby could be utilized for the consolidation and further extension of the scheme. Of late, the importance of workers' participation in management for promoting industrial harmony has been repeatedly stressed. The objective is the creation of industrial democracy as a pre-requisite for the establishment of a socialist society. Today, labour is not viewed as a mere wage-earner playing a passive and backseat role in the industrial set up. The worker in modern

times has grown to be, within his own rights, a vigilant, active and co-operative partner fully prepared to share the gains by contributing his efforts in the domain of ever-increasing industrialization with all its problems and complexities. Viewed from this angle, the workers' participation in management is a kind of challenge to the workers to come out of the rut of old fashioned trade unionism and to adopt an entirely new philosophy and outlook.

Conclusion: Initially the scheme should be tried out in core industries (e.g., Coal, Steel, Heavy Engineering, Fertilisers, etc.). there should be three pronged programme for establishing machinery for workers' participation, i.e., (i). Formation of shop floor committee consisting of shop floor workers who should be able to determine jointly with the management representatives production norms and targets; (ii). Formation of Departmental Committees to co-ordinate the achievement of production set by the shop floor committee and to be further responsible for removing bottle-necks and for providing facilities in regard to material utilization and manpower and equipment effectiveness to achieve the targeted production; (iii). Formation of plant level committee, which should be seized of the problems of production, the cost and quality of products as well as other matters concerning the efficiency and profitability of the enterprise. For the proper functioning of these committees, the researcher suggests the following steps: (i). There should be adequate delegation of powers to the joint committees within the framework set out at different levels failing which their functioning would not be effective and the decisions arrived at will not find



implementation. The decisions may be subjected to review at a higher level, if necessary, only in exceptional circumstances; (ii). It is necessary to bring about an orientation of outlook of both labour and management in order to make participation effective and purposeful. A systematic educational programme campaign would be necessary for workers as well as middle and higher levels of management; (iii). As regards the manner and representation of workers on these committees, in units having only one union or a recognized union, the representatives should be nominated by the union and further they should be from within the enterprise and out of those directly involved in the process of production. In units having a multiplicity of unions, the seniormost experienced and efficient workers should be nominated.

References

- ¹. Alexander, K.C.: "*Workers' Participation in Management*" in Thakur, C.P. and Sethi, K.C. (ed.) : *Industrial Democracy: Some Issues and Experiences*, 1973, p. 159.
- ². Pylee, M.V: *Workers' Participation in Management : Myth and Reality*, 1975, p. 41.
- ³. Schregle, Johannes: "*Workers' Participation in Decision within Undertakings*", International Labour Review, Vol. 113, Jan-Feb, 1976.
- ⁴. Kesari, J.P.: "*The System of Workers' Participation in Management in India*", Indian Journal of Social Work, Vol. XXI, No. 4.
- ⁵. Clegg, Ian.: *Industrial Democracy*, 1969, p. 7.
- ⁶. Alexander, K.C.: *Participation in Management*, 1972, p. 8.

⁷. Mehtras, V.G.: *Labour Participation in Management*, 1966, p. 12.

⁸. Clegg, H.A.: *Industrial Democracy and Nationalisation*, 1951, p. 121; See also his, *A New Approach to Industrial Democracy*, 1960, p. 21.

⁹. Stahl, O' Glenn: *Public Personnel Administration*, New York, 1956.

¹⁰. Blumberg, Paul: *Industrial Democracy*, p. 145.

¹¹. Walpole, G.S. Quoted in I.L.O.: *Co-operation in Industry*, p. 12.