
UNIT 21 INDUSTRIAL DEMOCRACY

Objectives

After completion of the unit, you should be able to:

- 1 understand the concept of industrial democracy;
- 1 understand what empowerment is;
- 1 understand Quality Circles;
- 1 understand workers' participation in management;
- 1 discuss forms and levels of participation; and
- 1 describe workers' participation in management in different countries.

Structure

- 21.1 Introduction
- 21.2 Empowerment
- 21.3 Quality Circle
- 21.4 Workers' Participation in Management
- 21.5 Workers' Participation in Management in India
- 21.6 Forms of Workers' Participation in Management in Different Countries
- 21.7 Evaluation of Workers' Participation in Management
- 21.8 Measures for Effective Workers' Participation in Management
- 21.9 Case Study
- 21.10 Summary
- 21.11 Self-Assessment Questions
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21.1 INTRODUCTION

Traditional management system is based upon “span of control” and “chain of command” and “direction and supervision”. Such a system leads to dehumanised workplaces repetitive, boring, frustrating and alienated employees. Larger organisations block individual growth, their self-development and self-identity. Such a situation leads to apathy and waste of human activities and dysfunctional practices like; restrictive, wasteful and destructive functioning. In the words of Clarence Francis, Chairman of General Food Corporation - “You can buy a man’s time, you can buy a man’s physical presence at a given place, you can even buy a measured number of skilled muscular motion per day or per hour. But you cannot buy enthusiasm, initiative, loyalty; you cannot buy devotion of hearts, minds and souls, you have to earn all these things.”

New crop of employees, young, intelligent, enthusiastic and ambitious is not in a position to tolerate such suffocating atmosphere. They are knowledgeable workers, they need information, they need participation, and they need autonomy, challenge and want to contribute. It will be difficult to hold such employees in traditional organisations. Organisation’s greatest asset is its human resources which are least used. An empowering organisation is required to meet these requirements by adopting the elements Industrial Democracy.

Elements of industrial democracy which are discussed in this unit are empowerment, quality circle and worker's participation in management.

Contribution of Behavioural Science

According to Maslow, after satisfaction of physiological and safety needs, a person needs social/affiliation, ego needs satisfaction and self-actualisation. Douglas McGregor's theory "Y" stipulates that a person needs positive atmosphere, conducive work-culture and encouraging work-ethos to unfold his potential. Herzberg's two-factor theory clearly states that hygiene factors do not motivate. For motivation another set of factors like autonomy, challenge, variety, etc. are required. Adam's Equity theory talks of parity and non-discrimination as factors of motivation. The "relatedness" in Alderger's ERG theory clearly says that workers want to relate themselves socially to get motivated. McClelland's need theory has "power", "achievement" and "affiliation" as dominant factors for motivation.

Participative management is focussed more on achieving commitment by providing for all the above mentioned motivational needs than simply extending decision making power to the employees. It requires a change in culture, which may include a series of items ranging from access to information, involvement in decision-making, sharing ownership and redistribution of rewards, etc. In other words, it amounts to devolution of power to work place. Power should be used to get work done than to stand over others. It has a motivational constituent and it has to be used as a managerial strategy to strengthen employees' feeling of self-determination or self-efficacy. In fact, participation is a process of enhancing the feeling of self-efficacy among employees through identification of conditions that overcome powerlessness and foster empowerment.

To enable the best in a man to come out, it is necessary for him to know why he is going certain things and not others and participation is a quest towards that end. He seeks meaning in his work and place in the organisation and that he finds in participation and not in traditional management.

21.2 EMPOWERMENT

Empowerment is the process of passing authority and responsibility to individuals at lower levels in the organisational hierarchy (Well ins et al., 1991). To achieve empowerment, managers must be sure that employees at the lowest hierarchi levels have the right mix of information (about process, quality, customer feedback and events), knowledge (of the work, the business and the total work system), power (to act and make decisions about the aspects of work) and rewards (tied to business result and growth in the capability and contribution), to work autonomously or independently of management control and direction (Lawler, 1992; Lawler, 1994; and Lawler et al., 1989). The advantages of an empowerment or involvement are said to include higher quality products and services, less absenteeism, lower turnover, better decision-making and better problem solving which, in turn, result in greater organisational effectiveness (Dennison, 1984). However, the question of how much will be empowerment, remains a paradox to be addressed by managerial judgement (Carnall, 1982).

Characteristics of Empowered Organisation

Companies with a high level of job autonomy usually have the following characteristics (Finegan, 1993):

- 1 They invest a lot of time and effort in hiring, to make sure new recruits can handle workplace freedom.

- 1 Their organisational hierarchy is flat.
- 1 They set loose guidelines, so workers know their decision-making parameters. Accountability is paramount-results matter more than process.
- 1 High quality performance is always expected.
- 1 Openness and strong communication encouraged.
- 1 Employee satisfaction is the core value.

Guidelines for introducing Empowerment

- 1 Understanding why the organisation is making the change and what it wants to achieve.
- 1 Selecting strong leaders to head the change.
- 1 Involving people in planning how to introduce empowerment.
- 1 Creating transition project teams to test and coordinate efforts and communicate results.
- 1 Providing training in new skills and behaviours.
- 1 Establishing symbols of change.
- 1 Acknowledging and rewarding achievements.

Benefits of Empowerment

Empowerment benefits the organisation itself by creating an environment which encourages proactively problem-solving, accepting challenge, innovation, continuous improvement, optimum utilisation of employees, a high degree of employee motivation and enhancement of business performance.

For employees, empowerment provides a sense of high self-esteem, high degree of involvement and participation, a learning environment opportunity for personal growth and development and a greater sense of achievement. Replacing the 'fear and greed' hierarchy with network of empowered workers creates benefits like; faster responses, loyal customers, high quality-lower costs, greater productivity and employee orientation (Carter, 2000).

Empowerment is an important process in the organisation to foster the decision-making, issues and to motivate the employees who get immense job satisfaction. In the contemporary business environment, empowerment is essential to be more competitive and productive. In most of the organisations, empowerment is not practised in true spirit because of the absence of a positive organisational culture that believes in trust, transparency and employee development. In spite of a lot of discussion and approval on empowering employees, in reality it has not been implemented in the true sense in Indian Corporations. In most of the organisations, the senior management have preached the relevance of empowerment, but unfortunately very few of them have actually empowered people. The HR professionals need to initiate work culture in influencing the organisation to make the step-down method a success.

Empowerment is catching on among Indian managers. Companies as diverse as Titan, Reliance, ABB, Tata Information Systems (TISL), GE Plastics India and Philips are empowering employees-both frontline, as well as production staff. Wipro Corporation has 29 such teams and their number is expected to go upto 130. Wipro Infotech, on the other hand, has 10 such teams and the plan is to hike them to around 45 to 50. At Reliance, divisional heads run their divisions like; managing directors run their companies.

Activity A

Is your present organisation practicing the concept of empowerment? If yes, write down its operations.

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21.3 QUALITY CIRCLE

There are various forms and styles of participative management. One of them which is widely applied and practised is 'Quality circles'. The 'quality circle' concept first originated in USA which was very successfully applied in Japan afterwards. This technique boosted the Japanese firms to endeavour for high quality products at low costs.

Let us look at the organization of Quality Circle technique. Basically it consists of a group organization of eight to ten employees who meet each other during a meeting which is held one in a week, fortnight or month depending upon the problems and their frequency of generation. These members discuss various problems related to quality. They recommend alternative solutions to solve the problems by investigating the causes. Depending upon the recommendations, corrections are made. Corrections are checked and then accepted as a norm if the solution works. They generally hold their meeting in the organisation premises. They are generally given a room where they can meet and think and come out with solution to problems. These employees basically have a shared area of responsibilities. This leads to a good participative environment and greater acceptability of decisions. Since the employees are not very good at analysing and decision making, the part of quality making, the part of quality circle includes teaching employees group communication skills, quality strategies and measurement and problem analysis techniques.

21.4 WORKERS' PARTICIPATION IN MANAGEMENT

Workers' participation in management is a highly complex concept. The notion that workers should participate in the management of enterprises which employ them is not a new concept. It has apparently existed since the beginning of the industrial revolution. However, its importance increased gradually over a period of years due to the growth of large-scale enterprises, increase in work-force, paternalistic philosophy and practice of informal consultation. Moreover, the growth of professionalism in industry, advent of democracy, and development of the principle of social justice, transformation of traditional labour management relations have added new dimensions to the concept of participative management. The philosophy underlying workers' participation stresses: (i) democratic participation in decision-making; (ii) maximum employer-employee collaboration; (iii) minimum state intervention; (iv) realisation of a greater measure of social justice; (v) greater industrial efficiency; and (vi) higher level of organisational health and effectiveness.

It has been varying understood and practised as a system of joint consultation in industry; as a form of labour management cooperation; as a recognition of the principle of co-partnership, and as an instrument of industrial democracy. Consequently, participation has assumed different forms, varying from mere voluntary sharing of information by management with the workers to formal participation by the latter in actual decision-making process of management.

Workers' participation in management is mental and emotional involvement in group situation which encourages workers to contribute to group goals and share responsibility. Participation has three ideas:

- i) First, participation means mental and emotional involvement, rather than mere muscular activity. A person's self is involved rather than his body. It is more psychological than physical.
- ii) Second idea in participation is that it motivates persons to contribute to achievement of organisational goals by creative suggestions and initiatives.
- iii) Third area is that it encourages people to accept responsibility. They are ready to work with the manager, instead of against him.

To put it briefly, it is team working together for a common purpose, it is a notion of industrial democracy. Workers have greater say over their work situation.

Objectives of Workers Participation in Management

The objectives of workers' participation in management are as follows:

- i) To raise level of motivation of workers by closer involvement.
- ii) To provide opportunity for expression and to provide a sense of importance to workers.
- iii) To develop ties of understanding leading to better effort and harmony.
- iv) To act on a device to counter-balance powers of managers.
- v) To act on a panacea for solving industrial relation problems.

Elements of Participation

The term "participation" has different meanings for different purposes in different situations. McGregor is of the view that participation is one of the most misunderstood idea that has emerged from the field of human relations. Keith Davis has defined the term "participation" as the mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share responsibilities in them. This definition envisages three important elements in participation. Firstly, it means mental and emotional involvement rather than mere physical activity; secondly, participation must motivate a person to contribute to a specific situation to invest his own resources, such as initiative, knowledge, creativity and ingenuity in the objectives of the organisation; and thirdly, it encourages people to share responsibility for a decision or activity. Sharing of responsibility commits people to ensure the success of the decision or activity.

Forms of Participation

Different forms of participation are discussed below:

Collective Bargaining: Collective bargaining results in collective agreements which lay down certain rules and conditions of service in an establishment. Such agreements are normally binding on the parties. Theoretically, collective bargaining is based on the principle of balance of power, but, in actual practice, each party tries to outbid the other and get maximum advantage by using, if necessary, threats and counterthreats like; strikes, lockouts and other direct actions. Joint consultation, on the other hand, is a particular technique which is intended to achieve a greater degree of harmony and cooperation by emphasising matters of common interest. Workers prefer to use the instrument of collective bargaining rather than ask for a share in management.

Workers' participation in the U.S.A has been ensured almost exclusively by means of collective agreements and their application and interpretation rather than by way of labour representation in management.

Works Councils: These are exclusive bodies of employees, assigned with different functions in the management of an enterprise. In West Germany, the works councils have various decision-making functions. In some countries, their role is limited only to receiving information about the enterprise. In Yugoslavia, these councils have wider decision-making powers in an enterprise like; appointment, promotion, salary fixation and also major investment decisions.

Joint Management Councils and Committees: Mainly these bodies are consultative and advisory, with decision-making being left to the top management. This system of participation is prevalent in many countries, including Britain and India. As they are consultative and advisory, neither the managements nor the workers take them seriously.

Board Representation: The role of a worker representative in the board of directors is essentially one of negotiating the worker's interest with the other members of the board. At times, this may result in tension and friction inside the board room. The effectiveness of workers' representative at the board depend upon his ability to participate in decision-making, his knowledge of the company affairs, his educational background, his level of understanding and also on the number of worker representatives in the Board.

Workers Ownership of Enterprise: Social self-management in Yugoslavia is an example of complete control of management by workers through an elected board and workers council. Even in such a system, there exist two distinct managerial and operative functions with different sets of persons to perform them. Though workers have the option to influence all the decisions taken at the top level, in actual practice, the board and the top management team assume a fairly independent role in taking major policy decisions for the enterprises, especially in economic matters.

Pre-requisites for Effetive Participation

The pre-requisites for the success of any scheme of participative management are the following:

- 1 Firstly, there should be a strong, democratic and representative unionism for the success of participative management.
- 1 Secondly, there should be mutually-agreed and clearly-formulated objectives for participation to succeed.
- 1 Thirdly, there should be a feeling of participation at all levels.
- 1 Fourthly, there should be effective consultation of the workers by the management.
- 1 Fifthly, both the management and the workers must have full faith in the soundness of the philosophy underlying the concept of labour participation.
- 1 Sixthly, till the participative structure is fully accepted by the parties, legislative support is necessary to ensure that rights of each other are recognised and protected.
- 1 Seventhly, education and training make a significant contribution to the purposeful working of participative management.
- 1 Lastly, forums of participation, areas of participation and guidelines for implementation of decisions should be specific and there should be prompt follow-up action and feedback.

a) Is your organisation covered by any scheme of participation? If yes, are they successful?

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b) If success level has not been high, what are the reasons?

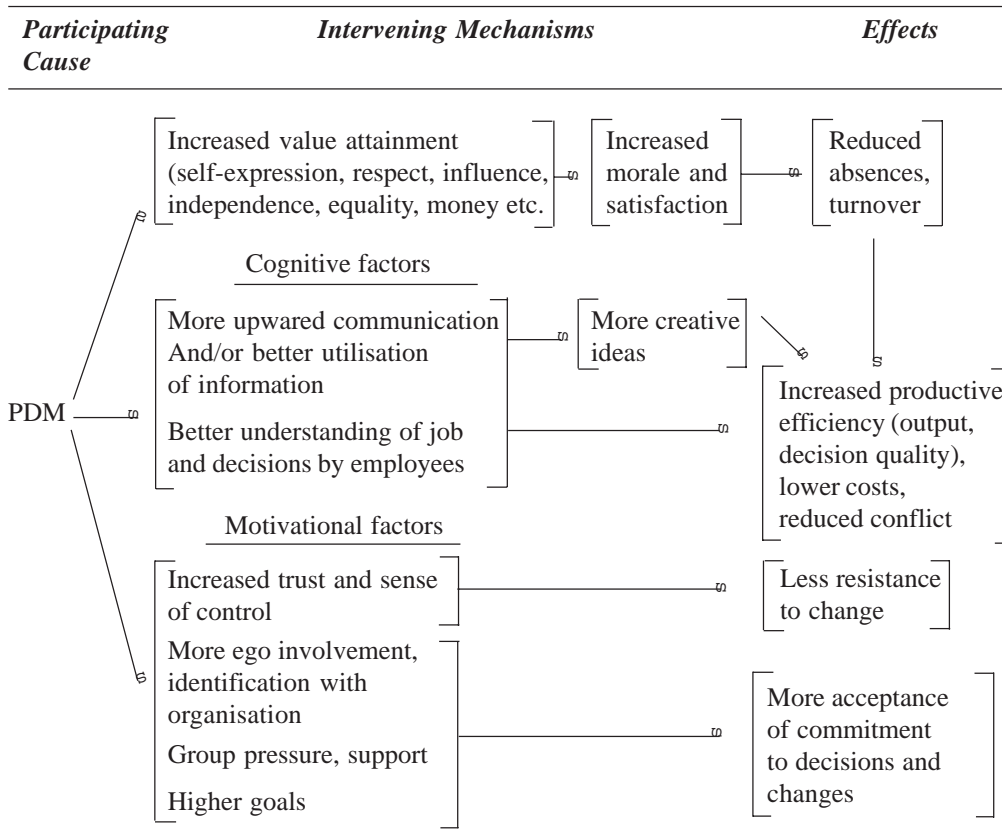
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Effects of Participative Decision-making (PDM)

Following Figure 1 traces the mechanisms through which participative decision-making affects employee behaviour and attitudes and, in turn, organisational results.

The Figure 1 suggests that participation improves both employee ability and motivation. Ability is improved primarily through communication and information sharing, which results in more informed employees who are better able to contribute creative ideas to the success of the enterprise. Motivation is improved in part because employees tend to set higher goals participatively than management does unilaterally and in part because the process causes individuals to become ego involved, and committed and to exert pressure on themselves and their co-workers to ensure that their decisions are sound and their goals are met. The act of participating can also increase employees' sense of trust and control, which may lower their resistance to new ways of doing things. On the attitudinal side, some find that participation (like job enrichment) meets their needs for challenge and accomplishment (growth), causing satisfaction.

Figure 1: Mechanisms of PDM



Source: E.A. Locke and D.M. Schweiger

21.5 WORKERS' PARTICIPATION IN MANAGEMENT IN INDIA

In our country, the concept of workers' participation in management is comparatively of recent origin even though there were a few instances of informal joint consultation as early as in 1920's in the Government Printing Press, Tata Iron and Steel Company, Jamshedpur, Indian Aluminium Works, Belur and in the Railways. The Delhi Cloth and General Mills Ltd. also introduced workers participation in management in 1938 by having an elected representative of workers on the Board of Directors of the Mills. The element of participation was also evident in the Permanent Arbitration Board at Ahmedabad, where representatives of the Millowners' Association and the Textile Labour Association settled many disputes through voluntary arbitration. The Royal Commission on Labour (1929-31) recommended the formation of works committees, "which can play a useful part in the Indian industrial system". It also suggested the establishment of a joint machinery to deal with the more general questions, and to act as an advisory appellate body in respect of disputes which are confined to one establishment. The recommendations of the Commission bore fruit with the provision of formal statutory machinery under the Bombay Industrial Relations Act, 1946, and the Industrial Disputes Act, 1947. The B.I.R. Act, which applies to the textile industry in Maharashtra and Gujarat, provides for the setting up of joint committees only in units which have a representative union. The U.P. Industrial Disputes Act, 1947 provides for the formation of works councils in State government undertakings, employing 100 or more workmen. The Government of Gujarat by the B.I.R. (Gujarat Amendment) Act, 1972 have made it compulsory for industrial establishments employing 500 or more workmen to set up joint management councils.

Participation/Consultation at the Company and Shopfloor Levels in India

Since Independence, various schemes have been formulated to provide for employee participation/consultation at the company and shopfloor levels. Some of these are discussed below.

1947: Works Committees: The Industrial Disputes Act, 1947 provides for limited participation of elected representatives of workers in bipartite works committees with a view to promoting measures for securing and preserving amity and good relations between employers and workers. Some committees like the canteen and safety committees are statutory. The functioning of the committees are, however, not satisfactory due to the lack of clarity about their scope and functions and conflict between the elected representatives of the works committees and the trade unions operating in the enterprises.

1958: Joint Management Councils: The Industrial Policy Resolution, 1956 reiterated that, 'in a socialist democracy labour is a partner in the common task of development and should participate in it with enthusiasm. There should be joint consultation and workers and technicians should, wherever possible, be associated progressively in management.' Accordingly, in 1958, Joint Management Councils (JMCs) were introduced. They were supposed to be responsible for welfare, safety, vocational training, preparation of holiday schedules, etc. They were also to be consulted on matters relating to changes in work practices, amendment or formulation of standing orders, rationalisation, productivity, etc. They did not receive much support from unions or management and the apparent similarity in the scope and functions of JMCs and works committees resulted in a multiplicity of bipartite consultative bodies.

1970: Employee Director in Nationalised Bank: Following the nationalisation of banks in 1969, the government required all nationalised banks to appoint employee directors to their boards, one representing the workmen and the other representing the officers. The scheme entailed the verification of trade union membership, an identification of the representative union. The tenure of an employee director was to be three years, though union membership verification need not occur even once in a decade.

In parallel, the government also began appointing labour representatives to the boards of several public enterprises; but these representatives had no direct link with the enterprise in organising the union at the local level and were drawn from among the national leadership or on the basis of some other elusive criterion. There was no clarity about the role and function of worker directors.

1975: Amendment to the Constitution and the Workers' Participation: In 1975 the Constitution was amended and Section 43A inserted in the Directive Principles of the Constitution. The section provided that, 'The State shall take steps by suitable legislation or in any other way to secure the participation of workers in the management of undertakings, establishments or other organisations engaged in any industry.' Accordingly, the Scheme of Workers' Participation in Management at the shopfloor and plant levels in manufacturing mining industries employing 500 or more workers was notified in 1975. Shopfloor and plant level councils were assigned specific functions relating to production and productivity, management of waste, reduction of absenteeism, safety, maximising machine and manpower utilisation, etc.

1977: Scheme of Workers' Participation in Management: Another scheme, broadly similar to the 1975 scheme, was introduced in 1977 and extended to commercial and service organisations with 100 or more employees. Both schemes evoked some enthusiasm initially during the Emergency, but with held soon after the lifting of the Emergency and the change in government in 1977. In 1978, the new government constituted a special tripartite committee on workers' participation in management which recommended a three-tier participation at the levels of the board, plant and shopfloor. But the government did not last long enough to implement the recommendations.

The 1983 Scheme: In 1983, another new scheme was introduced and made applicable to all central public sector enterprises, except where specifically exempted, and a standing tripartite committee was set up by the Ministry of Labour to facilitate review and corrective measures. Implementation of the scheme was left to the administrative ministries concerned. Barely half of the central public sector enterprises introduced the scheme over the next decade, and several of these atrophied subsequently.

Workers' Share in Equity, 1985: The 1985-86 Union Budget made provisions for offering stock options to employees up to a total of at least 5 per cent of the total shares. This was intended to enhance workers' participation in management.

The 1990 Bill: The government's discontentment with the implementation of voluntary efforts resulted in the convening of a national seminar and the subsequent introduction of a bill in the Rajya Sabha in 1990 to introduce workers' participation at all three levels board, plant and shopfloor - through legislation. The bill is still (September 2000) to be taken up for discussion.

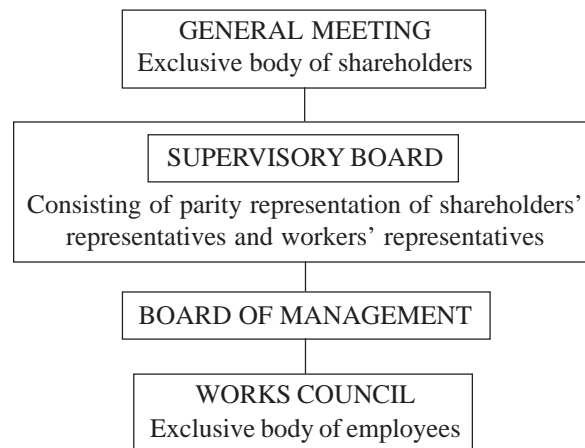
The Second National Commission on labour 2002 has recommended, "The time has come to legislatively provide for a scheme of workers participation in management. It may be initially applicable to all establishments employing 300 or more persons. For the smaller establishments, a non-statutory scheme may be provided." This was

followed by the government intention to pass a law that makes it mandatory for companies to go for workers participation and reserve some seats for worker's representatives.

21.6 FORMS OF WORKERS' PARTICIPATION IN MANAGEMENT IN DIFFERENT COUNTRIES

A) Germany: The concept of co-determination ('Mitbestimmung') in Germany, in its formal sense, had its origin as early as in 1835 when Prof. Van Mohl, national economist, advocated for the association of worker representatives in industry as their spokesmen. Voluntary works councils were set-up in Germany in four printing works way back in 1850. In 1933, Hitler banned all trade organisations and replaced them with "Workers Front". The present system of co-determination had its real origin when the trade unions were revived after the Second World War. The trade union demand for parity co-determination led to the passing of Co-Determination Act of 1951. It introduced co-determination on the basis of parity restricting it to coal and steel industry. Subsequently, in 1952 the Works Constitution Law was passed making it applicable to all industries. This law gave certain co-determination rights to the works councils. The Works constitution Law was modified in 1972 which further extended the co-determination rights of the works councils to various personnel and economic matters. Thus, the parity determination in iron and steel industry was governed by the Co-determination Law of 1951 and 1956 and in other industries Works Constitution Laws of 1952 and 1972. It became a matter of debate till 1975 whether co-determination should be extended to all industries and, if so, in what form. However, in April, 1976, all the parties concerned came to an agreement and a new law was passed extending co-determination to all industries. The law came into force in July, 1976. Now co-determination has taken deep roots in the former Federal Republic of Germany and has become a way of life. Under German law, each company has a two tier board system consisting of a supervisory board and a management board (Figure 2).

Figure 2: Co-determination in German Companies



- i) **General Meeting:** It is an annual meeting of all shareholders where all matters pertaining to capital, stock, liquidation, election to the supervisory board, annual balance sheet, and so on are discussed. Members of the supervisory board are elected by the shareholders' general meeting or appointed by certain shareholders or a class of shareholders.
- ii) **Supervisory Board:** It consists of employees' and shareholders' representatives. The workers' representatives on the supervisory board are elected by the employees of the company through a system of "electoral panels". The

number of members may range from a minimum of 3 to a maximum of 20 depending on the size of the enterprise.

Supervisory boards with 20 members are prescribed for companies employing more than 20,000 workers. The chairman of the supervisory board is elected by the shareholders' representatives. It is stipulated that at least 2 members representing the workers on the supervisory board should be from the plant itself, representing on each from the blue-collar and white-collar workers. Among the remaining workers, trade union executives from outside may also be elected. The supervisory board appoints and controls management board and approves decisions of major importance as provided by the byelaws of the company concerned. Supervisory Board, normally meets four or five times a year. The board gives decisions on important matters such as the closure of plants, the opening of new plants, large investments, and major changes of product.

- iii) **Board of Management:** It normally comprises 3 directors representing technical, financial and labour. Its members are full-time and are not allowed to sit on the supervisory board. Its main responsibility is the day-to-day operations of the enterprise. One of the directors on the board represents labour. His functions usually comprise personnel administration and personnel planning as well as social matters. His strength on the board of management is derived from the support he has of the works council and the workers' representatives on the supervisory board. Though the management board usually makes the major policy decisions on such things as mergers, takeovers, closure of plants, increases of capital and overall manpower planning, the supervisory board has to formally approve such decisions.
- iv) **Works Council:** The works council is not a management body like the supervisory board or the board of management. It is not a joint body. Its representatives are elected by secret ballot by the entire work-force, both unionised and non-unionised. The constitution and functions of a works council are governed by the Works constitution Act. Under this Act, every plant employing more than five employees is required to elect a works council through ballot. In firms with several establishments, a central council has to be established. All employees with one year of service are eligible to vote. The number of representatives on the council may vary from 1 to 35 depending upon the size of the plant. The workers' representatives are elected for a period of three years. The members of works council need not be members of a trade union. The council elects a chairman and a deputy chairman from among the members. In most cases, the chairman of the works council is also a member of the supervisory board. The works council represents workers' interest whether they are members of a trade union or not. The employers and works council members work together in trust and mutual understanding within the framework of existing collective agreements. As per law, works council members work together in trust and mutual understanding within the framework of existing collective agreements. As per law, works councils have to refrain from taking certain militant measures. It has no right to call a strike. The employer and works council meet once in a month to hold discussion and settle disputes.

The works council plays an important role in workers' participation and in maintaining sound industrial relations. It is the obligation of a company to provide the works council with necessary facilities to do its job effectively. The council has the right to decide with the management certain issues concerning job evaluation, working hours, welfare, training, recruitment and dismissal, vacations, transfers, location of new plants, and changes in production methods. It has co-determination rights, cooperation rights, and rights of information. It is much closer to the workers, and is the most important body for co-determination

in Germany. Besides formal functions spelt out in law, it performs scores of informal tasks and these are accepted by the management. For example, it can propose any scheme considered to be beneficial to the establishment or the staff. The works council is responsible to the Works Assembly composed of all workers and employees of a firm. It meets once in three months, and on that occasion the works council has to present a report on its activities. The Works constitution Act emphasises that “the works council and management shall work together in a spirit of mutual trust” and “shall discuss matters at issue with an earnest desire to reach agreement and make suggestions for settling their differences”. No one is allowed to exercise pressure on the other.

Labour-management relations in the Germany are expressed at two different levels simultaneously. One at the industry level, between employers’ organisation and trade unions, and second, at the enterprise level, between employees and works councils. Employers’ organisations insist that these two hierarchies be kept separate. The concept of co-determination can be fully understood only against the background of the two distinct levels of industrial relations set-up. At the industry level the trade unions play a role in collective bargaining functions. At the enterprise level, both employers and the works councils sit together the co-determination table.

B) Yugoslavia: Workers’ self-management in Yugoslavia dates back to 1949 when President Marshal Tito dissented from the Russian authority. He emphasised the need for the development of a distinctively Yugoslavian system with a complete departure from that of the bureaucratic Russian system of state ownership. In fact, the system of social ownership in Yugoslavia differs from most other socialist societies. In Yugoslavia, enterprises are owned by society as a whole, and the management of an enterprise is delegated by society to the workers’ collective, those people who work in it and create social wealth. The basic decisions about a firm, including decisions about the purchase, supplies, and the pricing of products are made within the firm itself rather than by a centralised federal agency. The trade unions have no direct role in the management of the enterprise, but they have the right to submit lists of candidates for election to the workers’ council. Their approval is necessary for the council’s decisions relating to wages and distribution of the surplus. The trade unions are consulted at a higher level on legislation in the area of labour. The workers’ councils are free to take their own decisions in most of the matters without trade union or party interference. The main goal of Yugoslavia self-management is defined in preamble of the constitution as the “liberation of work”. The major institutions under Yugoslavian model are workers’ council, management board, director and local people’s committee.

- i) **Workers’ Council:** The first law of self-management introduced in 1950 provided for a workers’ council in each enterprise, consisting of 15 to 120 persons, depending on the size of the enterprise. The council includes the director of the firm as an ex-officio member. They are elected by the workers’ and the staff for a term of 3 years. The council is designed to represent all employees in the decision-making process, although initially it was a consultative body with limited jurisdiction. The council is the supreme operative authority in an enterprise, and is responsible only to the workers’ collective as a whole. The basic objective of the council is to formulate a general policy for the involvement of the workers within the organisation. Its major duties include adoption of statute, development plans and programmes, decisions on the basic issues of operational policy, adoption and approval of financial statements of the enterprise, decisions concerning merger of the enterprise with other enterprises, supervision of the work of the management board, and so on.
- ii) **The Management Board:** the management board is the executive organ of the workers’ council. It comprises a minimum of five members elected from among

the members of the workers' council. The director is an ex-officio member of the board. At least three-fourths of its members belong to workers directly engaged in production, or the basic activities of the undertaking. They continue their normal jobs during the period of their tenure as members of the board. Its main function is to manage the enterprise in accordance with the policy laid down by the council. It is responsible for the efficient running of the enterprise. The board generally draws up the production plan, determines the internal organisation of the enterprise and formulates proposals for discussion in the workers' council.

- iii) **The Director:** The role of a director in Yugoslavia system is of crucial importance. The director of an enterprise is at the apex of the organisational structure. He is selected for a tenure of four years by the council and the local people's committee. He can also be reappointed. He is recruited through open competition on the basis of advertisement in the press and professional publications, and other appropriate channels. The workers' council may remove a director for inefficiency or incompetence. The director being the chief executive is responsible for implementing the decisions of the workers' council and the management board. He has to ensure the profitably management of the enterprise.
- iv) **The People's Committee:** This committee of the local people has a say in the appointment of the director as well in the enterprise. They may provide investment funds for the establishment. In case the enterprise is unable to pay the statutory minimum wage to its workers, the people's committee takes the responsibility to provide for the difference. This committee is powerful enough to intervene in the management and to dissolve the workers' management.

The greatest achievement of social self-management in Yugoslavia is prevention of workers' exploitation. It has instituted in the minds of workers a sense of belongingness to the enterprise. Industrial conflicts are less as compared to other European countries where there is no self-management. The social and economic content of self management is the democratisation of production and social relations. It is the most comprehensive one operating to date and is a unique example of social engineering which has produced a web of self-management structures and procedures.

21.7 EVALUATION OF WORKERS' PARTICIPATION IN MANAGEMENT

The various schemes of workers' participation in management have failed to live up to the expectations of employers and employees. After reviewing the literature in the field Zakeer (1980) has provided the reasons for the failure of the concept in India thus; (i) lack of understanding of the concepts, (ii) rigid attitude of the employees, (iii) vagueness of the legal definitions, scope and functions of these bipartite forums, (iv) half-hearted implementation of decisions arrived at these forums, and (v) the suspicion in the minds of trade union leaders, that industrial democracy would fragment their authority and weaken their hold over union members.

21.8 MEASURES FOR EFFECTIVE WORKERS' PARTICIPATION IN MANAGEMENT

In order to make workers' participation in management a success, certain conditions should be satisfied, which are discussed below.

Managerial attitude: There is an urgent need to offer training and education to workers and employees to make the participative culture a success. The employers should be willing to share information and shed a portion of their hard-earned authority in favour of workers. Workers are uninformed and lack experience. The employers therefore must make conscious efforts to bring them up to a certain level before drawing them to the negotiating table. To earn their respect and trust, management must involve workers by: (1) identifying a clear cut agenda where the roles of participants are clearly defined, (2) developing guidelines for decision-making by the joint management councils, (3) defining the roles of office bearers as against trade unions, (4) Keeping employees informed of all decisions arrived at, their implementation and the outcomes, and (5) evaluating the progress of joint councils from time to time.

Union co-operation: The workers participation scheme, to be effective, must be based on mutual trust and confidence between unions and management. Unions must believe that participative forums are not meant to cut their roots. To this end, management must try to define the boundaries clearly. To be fair, they must give due representation to members from the recognised union without playing favourites. In a multiple union situation, this issue assumes added significance in that the employer can influence the election of representatives to the participative forums by aligning with their own 'yes men' from the ranks and file. Not all unions agree now to the election of representatives through secret ballot (INTUC opposes this; HMS, CITU, AITUC support the move).

Meaning participation: If participation relates to only tea, towels and toilets as the Indian experience clearly shows - it does not serve any purpose. To be useful, participation should cover a wide range of issues where workers can openly represent their cases and seek quick solutions on the spot. Further, the participative forums should not be mere consultative and advisory bodies, dealing with peripheral, insignificant, routine issues relating to labour welfare. Workers must have a real 'say' in all important work-related matters including grievance handling and then only they begin to participate in these participative bodies with zeal and enthusiasm.

Workers' attitudes: Workers must have complete faith in the efficiency of the system. To encourage a participative culture among workers, seminars, conferences, workshops must be held highlighting the usefulness of participation. Workers must have a sense of job security and freedom from reprisals resulting from their participation. The overall working environment must be congenial enough to inspire the workers to give their best to the organisation.

21.9 CASE STUDY: WORKERS' PARTICIPATION IN MANAGEMENT IN TISCO

In some of the organisations, the scheme of workers' participation in management (WPM) has proved to be a 'hit'. Let us briefly examine the experience of TISCO.

In 1982 TISCO celebrated the first silver jubilee of workers participation scheme. Right from inception TISCO firmly believed in achieving success through employee involvement and participation in organisational work. To regulate employer-employee relations, two forums are consistently put to use; i.e., wage related issues through collective bargaining forum and safety, welfare, working conditions, cost saving efforts, etc., through participative forum. Since 1957, WPM at TISCO has been functioning at three levels: Joint Departmental Council (JDC), Joint Worker Councils (JWC), and Joint Consultative Council. There are over 40 joint-departmental councils operating at the base level - one to discuss production and productivity related issues

and another to discuss safety and welfare matters. The Joint Worker Councils review the working of JDCs and JWCs, at periodic intervals. These councils consist of representatives of labour and management in equal number. WPM has succeeded in TISCO because the management stood behind the scheme firmly right from the beginning. The presence of single, strong union has also created a congenial atmosphere for improving relations between labour and management greatly. Management has created special task forces to oversee that the councils' functions do not overlap. Special training is being offered to prepare workers for participative 'give and take' sessions. Spurred by these encouraging initiatives, workers have also come out with highly useful, cost-saving suggestions arrived at improving overall productivity from time to time. Generally over 70 per cent of these suggestions are actually implemented with great success!

21.10 SUMMARY

In this unit, we have tried to discuss the importance of industrial democracy. It has different forms such as empowerment, quality circle, workers' participation in management etc. We have touched upon the organisation, function and benefits of all these schemes of industrial democracy. Also, workers' participation in management in Germany, Yugoslavia, as well as in India have been discussed.

21.11 SELF-ASSESSMENT QUESTIONS

- 1) What is the rationale for industrial democracy?
- 2) Review the schemes of industrial democracy.
- 3) Discuss the function of quality circle to achieve democracy at workplace, citing suitable examples.
- 4) What are the levels and forms of workers' participation in management?
- 5) Compare the forms of workers' participation in management in Germany and Yugoslavia.

21.12 FURTHER READINGS

Industrial Labour Office, *Workers' Participation in Decisions Within Undertakings*, Geneva, 1983.

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