CHAPTER II

THEORITICAL FRAME WORK OF WORKERS PARTICIPATION IN MANAGEMENT
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INTRODUCTION

The concept of workers' participation in management as one of the forms of industrial democracy has evolved out of the recognition of the fact that workers are also human beings, that they are not machines, that they have the capability to contribute to productivity. Their willing co-operation, satisfaction and morale are reflected on the productivity and smooth running of the enterprise. Those who spend one-third of their working life in an organisation, which provides their livelihood, should have say in the governance of its affairs. In this chapter, an attempt has been made to give the different understandings about the concept of workers' participation in management in the present day context. Definitions of the concept by various experts have also been given. Since the concept has come from the industrially developed countries from the west, an attempt is also made to trace the evolution of the concept from those countries. The experiences of the various countries are also outlined briefly. After that, the evolution and development of the concept in India are analysed.

MEANING OF WORKERS' PARTICIPATION IN MANAGEMENT

The concept of workers' participation in management is comparatively of recent origin. It has dominated many of the management literature, seminars, discussions etc. Participation means the identification and
involvement of the employees in the day-to-day management of an enterprise in the appropriate manner in order to increase the organisational effectiveness.

The concept of participation though an old one has gained attention of the developing countries only recently. It has been practised in India for the past two decades in various enterprises. It is gaining momentum through the active steps taken by the managements and the positive results it has yielded.

The philosophy of participation says that labour is one of the most important factors of production. The industrial productivity depends mostly on their efficiency and well being. There was a time when the workers were treated as machines. But now it is not so. A worker is a human resource. His know-how and creativity, if properly utilised, may make a greater difference to the success of the enterprise. Before the advent of industrialisation, the major decisions affecting the workers were made by the religious leaders or the nobility. With the coming of the industrialisation, decisions were made by the owners of the capital, who regarded workers as one of the means of production. A cordial relationship between the labour and the management is very important for industrial peace and productivity. With the recognition of this bare truth the workers' participation schemes have widely been practised in many countries for a long time. Managers tend to work hard when they have a feeling that they are implementing their own ideas and decisions. If any one of them wants the labour to work hard, they should provide them with the same type of motivation, namely, an opportunity to participate and to get a feeling that they are making decisions in a real manner.
The major purpose of the use of participation is to encourage the growth of the subordinate and their ability to accept responsibility. As one authority puts it, workers' participation in management is more likely to produce high levels of satisfaction and motivation than an authoritarian management.

Workers' participation in management is recognised as a movement, which is rapidly spreading all over the world. Participative schemes are no longer a question of "whether or not", but a question of "how". Finally, there are satisfactions that come by way of recognition from peers and superiors for having made a worthwhile contribution to the solution of an organisational problem. If used wisely with understanding, it is a natural commitment of management by which integration and self-control can be achieved.

**DEFINITION OF PARTICIPATIVE MANAGEMENT**

The concept of participative management is widely used but indistinctly defined. Nevertheless it is frequently misunderstood. As a matter of fact, it is a principle of attaining industrial democracy by ensuring the total involvement of the workers in achieving the organisational goals of the enterprise.

Davis defines the concept of the participation "as the mental and emotional involvement of a person in a group situation, which encourages him to identify himself with group goals and share responsibilities in them" ¹

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The industrial policy resolution of India has stated that "in a socialist democracy, labour is a partner in the common task of development and should participate in it with enthusiasm".  

The International Institute of Labour Studies remarks: "The participation results from practices which increase the scope for employees share of the influence in decision making at different tiers of the organisational hierarchy with concomitant assumption of responsibility".  

Allport refers, "participation in decision making as active (ego) involvement".

Sawtell defines the concept as "any or all of the process by which the managers contribute positively towards the reaching of managerial decisions which affect their work".  

Lammers has described this concept as "participation in decision-making may be defined as the totality of such forms of upward exertion of power by subordinates in organisations, as are perceived in this sense can be of two varieties i.e. direct or indirect".

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Schultz regards, “it as a feeling of obligation to work for the best interests of a group.” 7

Viteles perceives that, “employee participation in decision-making in a democratic atmosphere created by ‘permissive’ leadership, facilitates the development of ‘internalized’ motivation, and saves to raise the levels of the employee production and moral” 8

Tannenbaum defines “Participation as the formal involvement of members in the exercise of control, usually through decision-making in group meetings” 9

Fox defines “Participation as a procedural orientation and offers the following account of possible levels of the workers’ involvement.” He may seek the right simply to be informed of proposed decisions in the hope that his reactions may be taken into account; or to protest against decision when made; or to make suggestions before they are made; or to participate jointly, directly or indirectly through representatives, with management in actually making them, or to make them in concert with his fellows and impose them on management”. 10

A group of practising managers defined “participation is involvement of workers only in such areas of activities of the enterprises where they can make some positive contribution for the betterment of the enterprise”  

Majority of the definitions discussed above has failed to state clearly, the central theme of participation, joint decision making by superiors and subordinates. Among all the definitions, those put forth by Lammers, viteles, Davis and Fox are more relevant in the present context. This research work takes into account the concept of participation based on the above mentioned definitions.

CROSS-NATIONAL EXPERIENCES IN PARTICIPATIVE MANAGEMENT

It is appropriate to study the implementation of workers’ participation in management schemes abroad as a pre-requisite to explore the possibilities of its effective implementation in India. Inspite of its controversy and conflicts, participative schemes are being increasingly adopted in different countries, both in capitalist and socialist blocks particularly in European Countries, and in the third world, as an ideal form of industrial democracy. This study attempts to throw light on the participative models followed in Countries like Germany, France, Sweden, Netherlands, Norway, Denmark, U.S.A., U.K., U.S.S.R., Austria, Spain, Italy, Belgium, Switzerland, Finland, Luxembourg Ireland, Poland, Yugoslavia and Israel, which will in turn certainly serve as a base for our study.  

For the sake of convenience we can study these countries under

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two heading namely 1). Workers’ participation in Management in Developed countries and 2). Workers’ participation in Management in Developing Countries.

PARTICIPATIVE MANAGEMENT IN DEVELOPED COUNTRIES

Germany — Co-determination Model

The origins of participative scheme in Germany can be seen as a result of temporary impact of external forces in the internal constellation of Socio-Political forces. Co-determination is the name given to the participative scheme in Germany. Co-determination was introduced during the period of Allied Administration of Germany right after the World War II as a response to pressures from organised labour. The Co-determination Law of 1951 requires all companies with more than 1000 workers in the Coal, Iron and Steel industries having a specified amount of capital to have a supervisory board. The Law of 1951 also calls for a labour director, on the management board, to be appointed by the supervisory board. In 1952 the Work Constitution Act was promulgated which introduced a joint consultation type of workers’ participation in all enterprises with more than 4 workers through the creation of work councils. It was also amended in 1976. The representation to the board is affected in a two-tier structure by the implementation of this Law.

France — Joint Management Model

The introduction of workers’ participation in management in French industries came into effect in 1945 as a part of the general reform programme which included nationalisation of some key industries and a significant
reorganisation and expansion of social security system. All enterprises employing at least 50 workers are required under the 1945 legislation to constitute a work committee. The scope and powers of the work committees were extended by the Act of 1946. An Act of 1947 altered the method of election of members to the committees, replacing majority representation by proportional representation. The 1968 Act has changed the relationship between works committee and the union. The unions now appoint the delegates and the union decides their term of office. The head of the firm acts as the chairman of the committee and appoints a deputy. The law of 1975 encourages firms to promote share participation also.

Swedish Works Councils Model

The origin of workers' participation in management in Sweden was established by a collective agreement concluded in 1946, between the Swedish Confederation of Trade Unions (LO) and the Swedish Employers Associations (SAF) about the establishment of works councils, in firms with over 25 employees. (Later changed to 50 employees). There was resentment among the workers and the employers during 1960's and again in 1970's also. In 1973 an Act was passed which entitled the workers in companies with 100 or more workers to nominate at least two representatives in the board of directors, to be appointed by the local union. Since 1975, companies are required to give works councils' full access to all financial figures and also assistance of a financial consultant if they do not understand the figures appropriately. The latest legislation concerning participative management, Democracy at work Act 1977 covers the entire labour market, has opened up possibilities for direct as well as indirect participation at all levels of decision-making within the
enterprise. The Swedish model is considered to be one of the best models in the world.

Netherlands — Joint Consultation Model

The participation management was introduced in Netherlands by the passing of the Work Council Act in 1950. The powers of the works councils are mainly consultative in nature. A new Act was passed in 1971 which provides for the introduction of a central council apart from works councils in companies employing more than 100 persons and a minimum capital of ten million. The central council also exercises the same powers like that of works council. The companies, which have overseas interests, are exempted in certain cases. This model is basically a two-tier structure, which precludes employee representation at board level, but it is ensured that the supervising board is agreeable to both the employers and employees.

Norway — Joint Consultation Model

In Norway, the first wave of discussion and political actions related to participative management appeared around the First World War. But it was not until 1945, when the agreement between employers’ Organisations and Unions, the joint production committees were setup for promoting effective production and maintaining good hygienic conditions and vocational training.

The Act of 1973 provides for the establishment of committees in mining and manufacturing enterprises, which employ more than 200 workers. The
assembly has the final process of decision-making in important matters concerning the enterprises.

*Denmark — Joint Consultation Model*

In Denmark, the Agreement on “Joint consultation committees” provided that joint consultation committee should be setup in firms employing 50 or more persons, if demanded by the employer or a majority of the workers. The functions of the committees include dealings with productivity and general efficiency of the undertakings, technical changes, safety and employees’ welfare measures etc. A bill was introduced in parliament at the beginning of 1973, with a view of creating a national investment fund. Constituted by a levy on employers, both public and private, calculated as a certain percentage of wages, which among other things, would allow workers to have a member of representatives in each board corresponding to their share of the capital of the undertaking, up to a maximum of 50 percent.

*USA — Collective Bargaining Model*

In the United States, where the trade unions continue to oppose on principle the representation of workers in management organs, collective agreements are the main form of participation. Collective bargaining, which in fact has reached a point where they cover most, decisions affecting, employment and working conditions of the American. Participation in USA is generally associated with participative style of management. The best known form of workers’ participation in the USA is the scanlon plan. Union-management productivity committees, in the European style, also existed in the
USA during 1920’s and the Second World War. Since 1970 the Federal Government has encouraged Joint Union-management committee and autonomous work group experiments to improve productivity and quality of work life.

*United Kingdom — Joint Consultation Model*

Ever since the final report of Whitley Committee was signed on 1st of July 1918 and submitted, workers’ participation in management has come into practice. The committees’ report aimed at achieving close co-operation between workers and managements in two different ways viz, 1) Joint-Industrial councils (JICS) in well organised industries and 2) Works committees consisting of the representative of managements and workers in individual establishments. Voluntary joint consultation is the foundation for participation in the U.K. At present joint consultation is quite common in the U.K. The Bullock committees’ recommendation in January 1997 paves way for the employees right to representation on a unitary board in all companies employing 2000 or more workers in the U.K. On a close observation one can find much similarity between forms of participative management in India and in England.

*U.S.S.R — Socialist Model*

The Soviet Union being a Communist Country, they differ to a large extent from other Countries in participative management. They operate according to the plans chalked out by the state. Every Industry right from transport to defence, come under the government control and boards formed by
the elected representatives manage them. The Soviet management is for the welfare of employees and hence there is no much conflicting attitude towards the workers. Moreover, members who were once workers themselves represent the management boards. Hence, the managers and employees share the same interests which are directed towards improving and increasing the material well being of the people (workers).

Austria — Works Council Model

Unlike other countries, the origin of the workers' participation in management in Austria is based the aftermath of the Second World War. The concept of social partnership creates harmonious relationship between the employer and employee, ultimately paving way for the overall needs of the company. The 1967 Act has given rise to the works council in the companies. Later on the Act was amended several times. Finally it took the shape of the collective labour Relations Act 1973. This Act insists on two-tier structure of representation, One at the supervisory board level and the other one at management board level. This Act is applicable to all Joint stock Companies with limited liability and employing more than 3000 employees. This Act also applies to the Co-operativaive societies employing more than 40 employees.

Spain — Works Council Model

Like the other countries in Europe, Spain too has its origin of the workers' participation in management in the works councils. Spain's political set up imposes decrees that are to be followed by its enterprises. The first decree of 1947 introduced the works council system in Spain. It was later
supplemented by another decree in 1953. It says that a works council must be established in enterprises, which employ more than 50 workers. Later on in the year 1962 an Act was passed to provide for employee representation in the Board of Directors, in companies where more than 500 employees are working. The works council elects the representatives of the Board.

*Italy – Factory Council Model*

The post-war development and rapid industrialisation were the reasons for the workers’ participation in management in Italy. There is no Act of parliament involved in the growth of participative management. In the year 1972 there was a great merger of three big labour confederations in Italy, with the aim of co-ordinating their activities including collective bargaining. Subsequently the 1968 and 1969 industrial disputes saw the emergence of a movement, which resulted in the creation of ‘factory council’. The factory council plays an important role in solving problems pertaining to pay, internal transfers, organisation of work, vocational training etc.

*Belgium – Works Council Model*

Belgium’s participation schemes date back to 1941. The Act of 1941 insisted that works councils must be formed at unit level by the enterprises. It came into force on 20th September 1948. There were modifications done at the instance of national agreement and ratified by the royal decree. The works councils were performing the consultation and advisory role on one side while they required the right to receive information for co-determination. Wherever, there is no works council, union will fill up the gap.
Switzerland — Works Council Model

The workers' participation in management is followed in Switzerland also. One third of the working population of Switzerland are the members of the Organised trade unions. Works councils are functioning in two third of enterprises in Switzerland, where the minimum employee strength is 50 or more. The works council takes care of settling disputes and grievances. There was a big confrontation in 1971 between three trade union federations and the Federal government to legally impose co-determination. But the Federal government restricted the participation of individuals alone and not the union as a whole.

Finlands — Production Committee Model

The workers' participation in management exists in Finland in the name of production committee. The law of 1949 introduced the establishment of production committee in enterprises where more than 60 employees are working. Any enterprise may establish a production committee if both employer and employees agree. The composition of production committee in Organisations with 120 or more employees will have two representatives on employer’s side and four representatives from employees side, whose term may extend up- to two years by secret voting.

Luxembourg — Joint Committee Model

Luxembourg follows both collective bargaining and consultation at national level. The employees of Iron and Steel Industry were the pioneers in
introducing the participative management in the form of profit sharing and representation of employees. The law of 1965 regulates the collective agreements, which are involved in the enterprises. In the year 1974, joint committees were established through an act, in enterprises having more than 150 employees. The joint committees’ role is limited partly to consultative and partly supervisory in nature. It engages itself in decision-making to a very small extent.

_Ireland — Works Council Model_

Ireland does not have any statutory law for implementation of works councils in companies. But the companies in Ireland have voluntarily established the practice of constituting works committees. The works council thus constituted has a limited role to perform. They limit their activities to advisory and consultative functions alone. The Factories Act 1955 paves way for the establishment of safety committees having employee representatives. The public sector undertaking follows participation at board level.

_PARTICIPATION IN DEVELOPING COUNTRIES_

_Poland — Works Council Model._

In the beginning workers’ participation in management took the shape of “Employee councils” and “works committees” in Poland. They were prevalent in many of the Industrial undertakings in Poland. The law of 1956 paved way for the establishment of works council legally. This law was amended in 1948 to alter the mode of selection of representatives to councils. In Poland central, general and regional councils of the trade unions controls the constitutions of works councils. The Polish Communist Party, which is called as Polish United
Worker’s Party, controls the participative schemes in Poland. But no clear-cut assessment is possible about the success of the scheme.

**Yugoslavia — Self Management Model**

Yugoslavia is well known for self-management. Workers manage all aspects of industries through their representatives. The introduction of self-management in 1949, by President Tito is the origin for the participative management in Yugoslavia. It was in 1950 that the basic law introducing worker’s Participation management was passed in Yugoslavia. The most important institutions under the Yugoslavia workers’ participation schemes are workers council, Management Board Director, Local People’s Committee, League of Communists and Youth Organisations, Economic Units and Trade Unions. Workers council is the highest body, which consists of 15 to 120 members elected by the workers and the staff for a term of three years. Whereas management board is the executive organ of workers council with minimum 5 members, where the Director is the person who is responsible for carrying out day to day work. Peoples committee has the power to appoint the Director. Economic units are small floor level councils with 20 to 100 workers. Trade unions have no direct role in the management of the undertaking but have the right to present a list of candidates for election to the workers’ council.

**Israel — Joint Management Model**

The credit for the implementation of participative management in Israel goes to the General Federation of Labour (Histadrut). Histadrut is both the largest trade union and a major employer. The participative management in Israel takes place through 5 schemes. At the enterprise level, worker’s
committee, Joint production committee, Plant council and joint management have been established, and at the management of holding company level central management has been established. Workers’ committee is expected to represent the workers and assist the management for constructive purposes. Joint production committee plays an advisory role on issues like incentive schemes, training health and safety etc. Plant council, though not successful, was introduced in plant level. Joint management introduced in 1967 is responsible for profitability, production, expansion etc., Labour courts were introduced to solve disputes through litigation setting aside workers’ strike.

ORIGIN AND GROWTH OF WORKERS’ PARTICIPATION IN MANAGEMENT SCHEMES IN INDIA.

In India, the idea of workers’ participation in management is comparatively of recent origin even though there were few instances of informal joint consultation as early as in 1920’s in the Government Printing Press, Tata Iron and Steel Company, Jomshedpur, Railways and Ahmedabad Cotton Textile Industry (Permanent Ashritration Board). The royal Commission of Labour had also felt the need for internal machinery like works committee. However, the suggestion had not received national attention till the Industrial Dispute Act of 1947 was passed.

Various schemes formulated by the Government of India to encourage workers’ participation in management are as follows;
The Industrial Disputes Act 1947 provided for limited participation of elected representatives of workers in Bipartite Works Committee. The main aim of these committees was to promote measures for securing and preserving amity and good relations between employers and workmen. Though a large number of committees were set up and at the end of 1987, and 530 such committees were operating in the central sphere, the scheme by and large has not been successful in achieving the desired objectives.

The functions of works committees were not clearly defined. There was frequent conflict between the elected representatives of works committees and the trade unions operating the enterprises. Participation was mainly limited to the aspects of welfare management.

Joint Management councils (1958)

In 1958, Joint Management Councils (JMCs) were introduced. JMCs were to be entrusted with administrative responsibility for various matters relating to welfare, safety, vocational training, preparation of holiday schedules, etc. They were to be consulted in matters of change in work operation, amendment or formulation of standing orders, rationalization etc., to encourage smooth work operations and enhance productivity. Representation of workmen to the JMCs was based on nominations by the recognized trade union.

JMCs did not receive much support from unions or management. It was alleged that JMCs and work committees appeared similar in scope and function
and that multiplicity of bipartite consultative bodies served no purpose. And where the membership strength of unions was disputed, composition of the council became a contentious issue.

Constitutional Amendment and 1975 Scheme

In 1975 the Constitution was amended and Section 43A was inserted in the Directive Principles of the Constitution. This 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 organizations engaged in any industry". In accordance with this amendment, the Scheme of Workers’ Participation in Management in manufacturing and mining industries was introduced in 1975. The scheme was required to be implemented in both public and private sectors, as well as in departmentally run units. Shop and plant level councils were assigned specific functions relating to production and productivity, reduction of absenteeism, safety, maximizing machine and manpower utilization, etc. The scheme did not lay down norms for the nomination of representatives to the councils. This caused lot of problems to the managements when multiple unions were there.

Scheme of Workers’ Participation in Management (1977)

Two years later, commercial and service organizations with 100 or more employees were brought within the purview of a participative scheme, broadly similar to the 1975 scheme. It was applicable to institutions like hospitals, the P & T, Railways and State electricity boards. While both the 1975 and 1977 schemes generated considerable enthusiasm initially, with a large number of
organizations constituting such forums, there was a sharp decline, after 1979. Various problems surfaced. Apart from the perennial controversy about the criteria for determining representation to the forums, the exclusion of grievance redressal, the restriction to consideration of only work-related issues, the inadequate sharing of information, the lack of a supportive participative culture, the indifference of management and the involvement of second-rung union officials etc. contributes in different ways to the ineffective functioning of many forums and their subsequent closure.

*Employee Directors in Nationalized Bank Boards (1979)*

Subsequent to the nationalization of banks, under the Nationalized Banks (Management and Miscellaneous Provisions) Scheme 1970, the government required all nationalized banks to appoint employee directors to their boards, one representing workmen and the other representing officers. The scheme required verification of trade union membership, identification of the representative union and the appointment of a Worker-Director from a panel of three names proposed to government by the representative union. The tenure of an employee director was to be three years.

This was the first major attempt to place representatives of workmen on the boards of public sector corporations. The process of membership verification and the appointment of the worker directors became difficult in course time. It is also evident, that while the scheme clearly laid down procedures for appointment, etc., there was no clear enunciation of the objectives of such participation or of the role and functions a worker director had to fulfill.
Comprehensive Scheme for Employee Participation (1983)

In December 1983, following a review of the progress of participative schemes in industry, a new scheme was prepared and notified. This scheme was applicable to all central public sector enterprises, except where specifically exempted. It envisaged constitution of bipartite forums at shop and plant levels. In enterprises considered suitable it was also to be implemented at the board level. The mode of representation of worker representatives was to be determined by consultation with the concerned unions, and parity in representation between management and unions continued to be the norm. The scheme brought within the limit of the councils a wider spread of work-related issues.

Worker’s Participation in Management Bill, 1990

Article 43A of the Constitution requires the State to take steps by suitable legislation or in any other way, to secure the participation of workers in the management of undertakings, establishments, or other organizations engaged in any industry. So far, all the schemes pertaining to participation of workers in management have been non-statutory. At present (July 1990) there is no central law on the subject. The non-statutory schemes have not been able to provide an effective framework for a meaningful participation of workers in management. Therefore, the government has introduced a bill in the Parliament on 25th May 1990 to:
1. Provide for specific and meaningful participation of workers in
management at shop-floor level, establishment level and board of
management level in industrial establishments;

2. Provide for formulation of one or more schemes to specify the
detailed criteria.

3. Provide for the principle of secret ballot for determining the
representation of workmen on different levels of participation.

4. Provide for rules to specify the powers of an Inspector.

The central Government has been making suitable changes from time to
time in this area in the larger interest of the workers and the management, in
order to facilitate smooth implementation of the workers’ participation schemes
in India.