4.1 Introduction

The concept and philosophy of employees’ participation in productivity management and decision-making differ from country to country. The method of participative management varies from country to country depending on the system of the economy, the style of management, the areas in which participation is sought and the pattern of labour-management relations. The wide range of meanings attached to the concept of participative management is the result of the variety of forms in which the concept is put into actual practice in different parts of the world.

Participative Management, in spite of its controversy and conflicts, is being increasingly adopted in different countries, both in capitalist and socialist blocks particularly in the European countries, and in the Third World, as an ideal form of industrial democracy. A
survey on the cross-national experiences in participative management is attempted in this chapter under two broad heads, namely,

1. Indian experience and response to participative management; and

2. Participative management experiences in selected foreign countries.

4.2 Indian Experience and Response to Participative Management

The Indian experience and response to participative management can be studied under two sections, namely,

1. Efforts Made Ensuring Participative Management In India, and

2. Participative schemes and models operating in India.

4.2.1 Efforts Made Ensuring Participative Management In India

Pre-Independence Period

Participative management in India has an old history that can be dated as far back as 1920, when workers and employers agreed to take decisions on various issues by mutual discussion in the Ahmedabad Textile Industry. Soon after the First World War, the Tata Iron and Steel Company at Jamshedpur set up a works committee with management and trade union representatives. In 1920, the Government of India, while starting joint committees in their press, directed public attention to the possibilities of the idea being introduced in private enterprises. In the same year, at the instance of Mahatma Gandhi, the Ahmedabad Textile Industry and the unions agreed to set up joint consultation councils to settle disputes and failing at council stage, the dispute would be referred to an arbitrator. At the Buckingham and Carnatic Mills in Madras, a works committee was formed in 1922, under the name of the Workpeople’s Welfare Committee. It was started by the management with the object of securing closer contact with the workers by the discussion and settlement of matters affecting their interests. All these bodies sought to serve either
as preventive machinery for industrial disputes or for assisting production or ensuring the
code of conduct and discipline in industry or as machinery for fixation of wages. Thus, their
objective, broadly speaking, was to maintain co-operation and provide a common forum
for discussing certain issues and problems relating to labour and industrial management.

The Royal Commission on Labour in India (1931) recommended broad guidelines for
constituting works committees at the plant and industry levels for consultation and reso-
lution of disputes. In spite of the failure of these committees, mainly due to trade union
rivalry, the Commission recommended that joint consultation with labour in an industry
should be increased and encouraged. It said: “What needs emphasis here is that, where
there is a trade union, the employer should seek its collaboration and co-operation in the
establishment and working of these committees, which should not be regarded or used as
rivals to its influence. It is idle to expect that a committee intended to forestall and prevent
effective organisation on the part of workers, will secure their confidence to any large ex-
tent. The worker’s representatives should have facilities for separate as well as for joint
meetings; such meetings should ordinarily count as working time. The range of subjects
should be as wide as possible. Finally, the management must be in sympathy with the idea
and determined to do its best to make the committee a success. A manager with the will
and ability to appreciate the workers point of view is the biggest asset, a committee can
have.”

After 1940, with the emergence of the Tripartite Labour Organisation which eventu-
ally became the Indian Labour Conference, trade unionists and political leaders made
demands for the association of labour in the management. Such demands, particularly
for nationalised industries, were further endorsed by the Indian Federation of Labour in
1944 and All India Trade Union Congress in 1945. Thus, the seeds of workers’ participa-
tion in management were sown during the pre-independence period which really sprouted,
nurtured and blossomed along with the growth of Independent India.
Post-Independence Period

The concept of participative management, although, attracted attention of a few private sector Organisations during pre-Independence era, its wider adoption could be seen only after Independence. The first governmental efforts towards participative management came in the form of the Industrial Disputes Act, 1947, providing for the establishing of Works Committees in every industrial unit, employing more than one hundred employees. The Industrial Disputes Act, 1947, thus, became the first landmark in the evolution of joint consultation in India. The Industrial Truce Resolution adopted by the Tripartite Conference held in 1947 had gone a step further and aimed at promoting labour management co-operation. The Industrial Policy Resolution (1948) also expected worker’s involvement in industrial management. The Constitution of Independent India provided for all-round democratic participation and also influenced the post-independence planning strategies. Participative management received a forceful expression in the Five Year Plans and the Industrial Policy Resolutions, and several schemes of participative management were implemented from time to time.

Participative Management as the Constitutional Mandate

The 26th January, 1950, was a red letter day in the long and chequered history of India. For, on that day, the present Constitution of India was brought into force which announced to the world the birth of a new republic. One of the objectives of the Constitution set out in its Preamble declares to secure to every citizen, justice-social, economic, and political. Part IV of the Constitution contains the Directive Principles of State Policy which set out the aims and objectives to be taken up by the State in the governance of the country. The Directive Principles are the ideals which the Union and State Governments must keep in mind while they formulate policy or pass a law. They lay down certain economic and political principles, suitable to peculiar conditions prevailing in India.

The national objectives laid down in the Preamble has been re-affirmed in the Directive Principles by providing that the State shall strive to promote the welfare of the people and
The Directive Principles has also called upon the State:

1. to secure to all its citizens an adequate means of livelihood;

2. to ensure that the ownership and control of material resources of the community are so distributed as best to sub-serve the common good; and

3. to ensure that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

The Directive Principles of State Policy though, apart from provisions relating to social and economic order and community welfare, contained the provisions relating to social security, such as: right to work, to education and to public assistance in certain cases; provision for just and human conditions of work, living wages etc. for workers, free and compulsory education for children, duty to raise the standard of living and improvement of health, and promotion of educational and economic interest of weaker sections. It was the year 1976 in which the participation of workers in the management of industries was declared specifically as the imperative upon the State in the Constitution by the Constitution (42nd) Amendment Act and the 43-A Article was newly inserted. It called upon the State to take steps, by suitable legislation or in other way, to secure the participation of workers in the management of undertakings. This provision gave new impetus to the concept of participative management and the newly inserted Article was intended to herald industrial democracy in India. The constitutional mandate was, therefore, clear and undoubted that the management of the enterprise should not be left entirely in the hands of the supplies of capital but the workers should also be entitled to participate in it, because in a socialist pattern of society, the enterprise which is a centre of economic power should be controlled not only by capital but also by labour.

Since the 42nd Amendment, various steps were gradually taken by the government towards securing workers' participation in management, in general, in all the undertakings,
mostly on voluntary basis and, in particular, in the public sector undertaking, on mandatory basis.

**Participative Management – Nurtured and Nourished by the Five Year Plans and the National Industrial Policies**

After independence, worker’s participation in industrial undertakings became an issue of national priority as a part of planning of economic development. In the First Five Year Plan, 1951, the Planning Commission considered that Works Committees “will be the best vehicle for improving labour relations and promoting employer – employee collaboration in the interest of higher production; and greater well being of the workers through the progress of industry”. To realise the objectives set out in the Constitution, necessary changes in the thrust and direction of the Industrial Policy of the government was also made. The basic and general principles in this regard were given a precise direction when Parliament accepted, in December 1954, the socialistic pattern of society as the objective of social and economic policy and in order to realise this objective it became essential to accelerate the economic growth and to speed up industrialisation so that the economic foundations for increasing opportunities for gainful employment and improving living standards and working conditions for the mass of the people could be provided.

The Industrial Policy Resolution (1956), and the recommendations contained in the Second Five Year Plan (1956) have been the operative charters for a formal scheme of workers’ participation in management in this country. The Industrial Policy Resolution (1956) called the labour a partner in the common task of development. It prescribed for joint consultation and progressive association of workers and technicians with management and it was expected that enterprises in the public sector set an example in this regard. Detailing the advantages of workers’ participation, the Second Five Year Plan envisaged that “such a measure would help in:

1. promoting increased productively for the general benefit of the enterprise, the employees and the community;
2. giving employees a better understanding of their role in the working of the industry and of the process of production; and

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

The plan has also suggested the setting up of management councils in large establishments to discuss various matters pertaining to the enterprises and suggest ways for its better working.

Participative management has been accepted as fundamental to labour policy not only in successive Five Year Plans but also by Indian Labour Conference and Parliament. The Government realised the necessity of learning from experiments in labour management association in other countries before a scheme could be worked out for India. In September 1956, a study group was set up to study foreign practices in this regard and makes suggestions for a suitable scheme of workers’ participation in management for adoption in India. The study group included government officers, executives from public and private enterprises and trade union leaders. They studied the schemes operating in England, France, Sweden, Belgium, West Germany and Yugoslavia. On the basis of its observations, the study group made specific recommendations regarding the nature and scope of Joint Management Councils. Their recommendations were discussed at the 15th Session of the Indian Labour Conference in 1957, which accepted in principle the idea of setting up of Joint Management Councils on the voluntary basis in undertakings in the public and private sectors through agreement between employers and workers. The Indian Labour Conference appointed a tripartite body for introducing the scheme of participative management in certain industries and for preparing its details. The details of the scheme so prepared were subsequently discussed in two seminars held in 1958 and 1960, which approved the Draft Model Agreement recommended by the Indian Labour Conference.

Though in the Third Five Year Plan (1961), the emphasis shifted from industry to agriculture, it recommended for strengthening the workers’ participation in management. It
observed that “for peaceful evolution of economic system on a democratic basis, it is essential that workers’ participation in management should be accepted as a fundamental principle and as an urgent need. In course of time, management cadres should arise out of the working class itself. This will greatly help to promote social mobility which is an ingredient of socialist system.” During this period, the development strategy received a severe blow due to the two major wars of 1962 and 1965, and drastic decline in the agricultural production in 1964-65 and 1965-66. The man days lost in industries due to strikes and lockouts left the country to face economic and political crisis and the Government was compelled to abolish the privy-purses and nationalise fourteen leading banks. During the period, no specific scheme of participative management was suggested except the scheme of ‘Worker Director’ which was introduced in the selected public enterprises including the nationalised banks with a view to safeguard the idea of nationalisation. The worker director was expected to serve as a link between workers and management and to represent the view of workers on issues discussed in the Board meetings.

The draft Fourth Five Year Plan (1969), while emphasizing the role of the public sector in setting examples in the promotion of workers’ participation in management, recommended that in co-operation with the Ministry of Labour and Employment, the employing ministries should formulate specific programmes for the development of Joint Management Councils and follow it up with an intensive orientation programme of workers and technical and managerial personnel at different levels.

The Fifth Five Year Plan (1974) also laid emphasis on the desirability of workers’ participation in management process and provided for managerial training for the rank and file discarding the notion that it was an exclusive reserve for the white collar class.

Despite the ineffectiveness of the working of the Joint Management Councils, the efforts towards participative management were not given up and there had been a renewed interest and emphasis on the subject of workers’ participation on management in the Seventies. In 1975, the late Prime Minister Indira Gandhi mooted ‘20-point programme’ and
gave prominent place to workers’ participation. In pursuance to this, the Government issued directives to implement the system of participative management by suggesting ‘Shop Councils’ and ‘Joint Councils’ in the industries at the shop floor level and plant level in the manufacturing and mining industries employing 500 or more workers in public and co-operative sector, including departmentally run public enterprises.

Another scheme for worker’s participation in management was announced in January 1977 and the issues thrown up by the working of the 1975 scheme were discussed at a tripartite Labour Conference held in May 1977. On the recommendations of the Conference, the Tripartite Committee on Workers’ Participation in Management and Equity was set up by the Government in September 1977. This committee recommended that:

1. Three-tier system of participation should be ensured at corporate level and shop floor level.

2. Supervisors/middle management personnel should have representation in different participative forums.

3. There should be Organisations both at the Centre and in the States to monitor the implementation of the scheme and its review.

Recognizing the importance and desirability of workers’ participation at the Board level, it was made specifically one of the terms of reference of the high-powered expert committee, known as ‘Sachar Committee’, to recommend a scheme for introduction of workers’ participation and the structure of the Board of Directors. The Sachar Committee recommended workers’ participation at the board level in the companies employing 1000 or more workmen as defined in the Industrial Disputes Act, 1947. It was also observed that the corporate sector employers should not be prevented from agreeing to have a scheme of workers’ participation in a company even when the employees are less than 1000. The scheme would be legally binding on all such companies where 51 per cent of the workers of the enterprise, based on a secret ballot under the supervision of the labour department.
of the State concerned, vote in favour of Board representation. Statement of Industrial Policy (1980) declared that:

“Government attaches great importance to the interest and welfare of labour, but they also consider that the maintenance of constructive and cordial industrial relations in which both labour and management have to co-operative in a responsible manner is essential for the sustained growth of economy. Government have decided to revive the tripartite labour conference and it is hoped that through an attitude of mutual understanding and constructive co-operation, it will be possible to establish higher standards of productivity and industrial harmony.”

The Sixth Five Year Plan (1980), observed “at enterprise level, workers’ participation in management should become and integral part of the industrial relations system and serve as an effective instrument of management. It should be made a vehicle of transforming the attitudes of both employers and workers with a view to establishing a co-operative culture, which may help in building strong, self-confident and self-reliant country with a suitable industrial base.”

The 31st session of the Labour Ministers’ conference held in July 1980 appointed a sub-committee to suggest ways and means in adopting the scheme of workers’ participation in management. The sub-committee reviewed the implementation of the scheme and suggested that public sector undertakings should serve as a model for the private sector in the effective implementation of the scheme. It was also decided to undertake evaluatory studies in respect of three schemes, namely, the 1970 statutory schemes in nationalised banks, the 1971 scheme of worker director in the central public sector undertaking, and the 1975 scheme of workers participation at shop-floor and plant level.

A new comprehensive scheme of workers’ participation in Management has been drawn by the Union Ministry of Labour in 1983. The scheme was made applicable to all central public sector undertakings except those undertakings which are given specific exemption from the operation of the scheme by the Administrative Ministry/Department
concerned in consolation with the Department of Labour, taking into account the nature of the undertaking, the products it is manufacturing etc. Any undertaking of the Central Government, which is run departmentally, however, will be excluded from this new scheme. The second meeting of the Group of Labour held in 1985 discussed the advisability of legislative backing to the scheme of workers’ participation in management. It was proposed that the system should be implemented under the participation in Management of Industry Act, or it, should from part of the Industrial Disputes Act, 1947.

In all the successive Five Year Plans also, the Union Government reiterated its commitment to enlarge the scope and boundary of participative management to be operationalised in the industrial sector.

A bill on workers’ participation was presented on 25th May 1990 at Rajya Sabha to make provisions for the participation of workers in the management of undertakings, establishments, or other organization, engaged in any industry.

4.2.2 Participative Schemes and Models Operating in India

Since Independence till the date, the Government has made efforts to design participative schemes and models from time to time. Various schemes designed and declared include: (i) Works Committee, (ii) Joint Management Council, (iii) Workers Representation on Board of Directors, (iv) Shop Council and Joint Council, and (v) Schemes for Equity Participation.

1. Works Committee

Establishment

Works committee represents one of the earliest steps taken in India to initiate and develop participative management. It aimed at promoting harmonious relations and to resolve differences, if any, at the unit level itself. The works committee was intended for encouraging joint consultation between the employers and employees and their main function was to maintain industrial peace by sorting out, differences of opinion by mutual discussion. Section 3 of the Industrial Disputes Act, 1947, provided for the setting up
CHAPTER 4. PARTICIPATIVE MANAGEMENT PRACTICES- EXPERIENCES IN INDIA AND ABROAD

of works committee in industrial units. It called upon the employer to constitute a works committee consisting equal number of representatives of employers and workmen in every industrial establishment employing one hundred or more workmen.

**Functions**

Section 3(2) of the Industrial Disputes Act provided that the works committee should deal with a wide range of topics connected with welfare of workers and their working conditions such as ventilation and toilets at the workplace, drinking water and canteen, medical and health services, safety, holidays, recreational activities and administration of welfare funds. However, topics like wages, terms of contract, nationalisation etc., which come under the purview of the collective bargaining were excluded. As the role of the works committee is consultative and advisory in nature, its decisions are not binding on the management.

The works committee is normally concerned with problems arising in the day-to-day working of the concern and the welfare of employees. But the function and responsibility of the works committee cannot go beyond recommendations and as such they are, more or less, bodies which, in the first instance, endeavour to compose the differences and the final decision rests with the union as a whole.

**Evaluation**

In beginning though the response of employers to the works committee was encouraging but in spite of statutory requirement and Government encouragement, a number of units did not set up works committees. The First Five Year Plan paid tributes to the instrumentality of the works Committee in industrial relations. The plan also envisaged that the main function of the works committee was to handle grievances and recommended a separate production committee to ensure workers’ participation in matters of production.

The enthusiasm for setting up of the works committee gradually started waning away. The number of works committees gradually decreased to a considerable extent in spite
of the statutory obligation to set them up and in a virtually defunct or even where the
committee functioned regularly, it was not really a consultative committee. At some places,
management and workers tried to use the works committee for ventilating their mutual
suspicions and fears without achieving any concrete results.

2. Joint Management Council

Establishment

The second scheme of participative management was started with the establishment
of the Joint Management Council by the Tripartite Body on Labour Relations in 1958. It was
provided for the setting up of Joint Management Council on voluntary bases in undertaking
in the public and private sectors through agreement between employers and workers.

The scheme was made applicable to the undertakings which fulfilled the following
criteria:

1. The undertaking should have a well-established, strong trade union functioning;

2. There should be readiness in the parties;

3. The size of the undertaking should be at least 500 workers;

4. The employer in the private sector should be a member of one or the other of the
   leading employers' Organisation; and

5. The undertaking should have a fair record of industrial relations.

Objectives

The main objectives of the Joint Management Councils were to promote cordial re-
lationship between management and workers, build up understanding and trust between
them, effect substantial increase in productivity, secure better welfare and other facilities
for workers and train them to understand and share the responsibilities of management.
Structure

The Joint Management Council was to be composed of not more than twelve members consisting of equal number of representatives of management and employers. In case of small undertakings, the number of members of the Joint Management Council was reduced to six, subject to the provision that the quorum should be four, two on each side and the decision was expected to be taken unanimously.

Functions

The functions were three-fold:

1. Consultation
   To consult matters such as administration of standing orders, retrenchment, rationalisation, closure, reduction in the cessation of operation etc. are included in the consultative function.

2. Information
   To receive information in respect of general economic condition of the concern, market, production and sales programmes, organisation and general running of the undertaking, methods of manufacture, balance sheet, profit and loss statement and connected documents, long-term plans of extension etc.

3. Administration
   To administer welfare measures, supervision of safety measures, operation of vocational training and apprenticeship schemes, preparation of schedules of working hours and breaks and holidays, payment of rewards for valuable suggestion from the employees.

Evaluation

The Joint Management Council was introduced essentially as a voluntary experiment to be launched only in those units where both the management and the union were willing
to have it and when there was evidence of healthy industrial relations climate. However, the Government from the beginning took on the task of promoting the scheme through persuasion. These Councils scarcely fulfilled the hopes placed in them. Various reasons had been suggested for this, such as the tenseness of industrial relations, the reservations of some managers who authorised junior executives to sit on these Councils without delegating the powers of decision, inter-union rivalries etc. Because of the lack of practical results, people lost interest in this machinery.

3. Shop Council and Joint Council

In compliance with the ‘20-point programme’, Government of India issued directives to implement the scheme of ‘Shop Councils’ or ‘Consultive Committees’ at the Shop-floor level and ‘Joint Councils’ at the enterprise level, consisting of equal number of representatives of employers and workers in the manufacturing and mining enterprises, employing 500 or more workers, in the public, private and co-operative sector.

Shop Council – Constitution and Functions

It was provided by the scheme that the Shop Council should consist of equal number of representatives of employers’ and workers’. The employers’ representatives should be nominated by the management from amongst the persons of the unit concerned and representatives of the workmen should be nominated from amongst the workers actually engaged in the department of the shop concerned. The number of and the departments to be attached to the Shop Council and the number of members of each council was to be decided by the employer in consultation with the registered unions or workers, as the case may be, in the manner best suited to local conditions, but the limit of total number of members was generally not to exceed 12. The Shop Council was to be established for a term of two years and to meet at least once in a month. The chairman of the Council was to be nominee of management while the vice-chairman was to be elected by the worker-members from amongst themselves.

The Shop Council, in the interest of increasing production, productivity and overall
efficiency of the shop/department, was entrusted with the functions to assist management in achieving production targets, improving productivity and efficiency, to assist in maintaining general discipline in the shop, to attend to physical conditions of working, welfare and health measures and to ensure proper flow of adequate two-way communication between the management and the workers, particularly on matters relating to production schedules and progress in achieving the targets.

**Joint Council-Constiution and Functions**

The Joint Council was to be established for the whole unit and only such persons who were actually engaged in the unit could be the members of the council. The term of the council was fixed for two years and the chief-executive of the unit was to be the chairman of the Joint Council and the vice-chairman was to be nominated by worker-members of the council. One of the members of the Joint Council was to be appointed as the secretary. But the scheme failed to mention whether the secretary would be from amongst the workers’ members or employers’ representatives or by rotation from amongst them. It was made obligatory to the council to meet at least once in a quarter. The decision was required to be on the basis of consensus and be implemented within one month unless otherwise stated in the decision itself.

It was provided in the scheme that the Joint Council should deal with matters relating to optimum production, efficiency and fixation of productivity norms of man and machine for the unit as a whole, matters emanating from Shop Councils which remain unresolved; provisions of training for workers, preparation of time schedules of working hours and holidays, awarding of rewards for valuable and creative suggestions received from workers, optimum use of raw materials and quality of finished products and general health, and welfare and safety measures for the unit or the plant.

The new scheme of 1975 differed from that of the Joint Management Council in several respects. Firstly, the name of the workers’ participation in management was changed to workers’ participation in industry to allay the apprehensions of the management, though
the framework suggested was the similar, consisting of joint committees, but with reduced scope. Secondly, the scheme was made flexible so as to allow variations to suit local conditions. Thirdly, instead of participation at the plant level, the scheme provided for the participation at the shop level also. Fourthly, the scheme has sought the involvement of actual workers and the line management staff and has prescribed the functions of both the Councils. The main focus of participation was production and productivity. Lastly, while the Joint Management Council scheme provided for only information sharing, consultation sharing and administrative form of workers’ participation, the new scheme has provided for sharing in decision-making by consensus too.

As the Scheme was generally welcomed in the manufacturing and mining units, the Government in 1977 extended the scheme of workers’ participation to commercial and service organisations in the public sector which have large scale public dealings with a view to rendering better customer service. The basic object of the scheme was to devise a system whereby mutual trust and confidence were created between the workers and the management which would help to promote active involvement of the workers with the work process.

4. Unit Council

A new scheme of workers’ participation in management in commercial and service organisation in the public sector was announced in January, 1977. The scheme covers hotels, restaurants, hospitals, air, sea, railway and road transportation services, ports and pension organisation, all financial institutions, banks, insurance companies, posts and telegraph offices, the food corporation, state electricity boards, central and state warehousing corporations, state trading corporation, mines and minerals trading corporation, irrigation systems, tourist’s organisation of central and state Governments etc.

Features

The features of the scheme are:
1. A unit level council can be formed in an Organisation which is employing 100 or more workers.

2. Every unit council shall consist of an equal number of representatives of the management and workers. The actual number of members should not exceed 12 and determined by the management in consultation with the recognised union.

3. The management's representatives should be nominated by the management and should consist of persons from the unit concerned.

4. The management shall, in consultation with the recognised union or the registered union or workers as the case shall determine, the number of units councils and the departments to be attached to each council of the Organisation.

5. All the decisions of a unit shall be on the basis of consensus.

6. Every decision of a unit council shall be implemented by the parties concerned within a month, unless otherwise stated in the decisions itself.

7. The management shall make suitable arrangements for the recording and maintenance of minutes of meetings.

8. A unit council once formed shall function for a period of three years.

9. The council shall meet as frequently as is necessity but at least once a month.

10. The chairman of the council shall be a nominee of the management. The worker members of the council shall elect a vice-chairman from amongst themselves.

**Functions**

Following are the functions of unit council:
1. To create conditions for achieving optimum efficiency, better customer service, higher productivity and output and optimum utilization of manpower by joint involvement in improving the work system;

2. To take necessary corrective steps to eliminate the contributing factors;

3. To study absenteeism and recommend steps to reduce it;

4. To eliminate pilferage and recommend steps to minimise it;

5. To suggest improvements in the physical conditions of working, such as lighting, ventilation, dust, noise, cleanliness, internal layout, and the setting up of customers service points; and

6. To ensure a proper flow of adequate two-way communication between management and workers.

5. Plant Council

The plant council was formed in pursuance of the recommendations of the second meeting of the Group of Labour at New Delhi in 1985. The scheme was made applicable to all central public sector undertakings, except those, which are given specific exemption from the operation of the scheme the government.

Features

Following are the features of the plant council:

1. There shall be one plant council for the whole unit.

2. Each plant council should consist of not less than six and not more than eighteen members. There should be parity between the representatives of employees and employers. One-third of the employees’ representatives should come from the supervisory staff level.
3. Only such persons as are actually engaged in the unit should be members of the plant council.

4. It’s tenure shall be for a period of three years.

5. The chief executive of the unit shall be the chairman of the plant council; the vice-chairman shall be elected from among the employees.

6. The plant council shall appoint one of its members as secretary who will be provided with adequate facilities for the effective discharge of his duties within the premises of the undertaking/establishment.

7. If a person quit the council for whatsoever reason, the member who is nominated to fill the mid-term casual vacancy shall serve on the council for the unexpired period of the term of the council.

8. The council shall meet at least once in quarter.

9. Every decision of the plant council shall be on the basis of consensus and not by voting, and shall be binding on both the employees and the employers.

**Functions**

The plant council shall normally deal with following matters:

1. **Operational Areas**

   (a) Determination of productivity schemes taking into consideration the local conditions;

   (b) Planning, implementation and attainment and review of monthly targets and schedules;

   (c) Material supply and preventing its shortfall;
(d) Housekeeping activities;
(e) Improvement in production in general and in critical areas in particular;
(f) Quality and technology improvements;
(g) Machine utilization, knowledge and development of products;
(h) Operational performance figures;
(i) Encouragement to and consideration of the suggestion system; and
(j) Matters/problems not sorted out at the shop floor level or those that concern more than one shop.

2. Economic and Financial Areas

(a) Profit and loss statement, balance sheet;
(b) Review of operating expenses, financial results, and cost of sales; and
(c) Enterprise performance in financial terms, labour and managerial cost, and market conditions etc.

3. Personal matters

(a) Matters relating to absenteeism;
(b) Special problems of women workers; and
(c) Initiation and administration of workers programmes.

4. Welfare Area

(a) Implementation of welfare schemes, such as medical benefits, house and transport facilities;
(b) Safety measures;
(c) Township administration; and
5. Control of the habits of gambling, drinking and indebtedness among the workers.

5. Environmental Area

(a) Environmental protections; and

(b) Extension activities and community development projects.

6. Workers’ Representative on the Board of Management

After lifting the internal emergency in January, 1977 the Janata Party came in power. It had stated in its election manifesto that consistent with the Gandhian attitude to labour and industry, it believed that workers must be treated as partners in industry. It restored all fundamental and legal rights of workers and trade unions to bargain freely and collectively with the employers on matter of common interests. The Janata Government was committed to the democratic socialism and therefore, declared that the workers should have an equal say in the management of an industry, at all levels from plant to the shop.

In 1977, government appointed a committee to recommend a comprehensive scheme of participative management, specially keeping in view the interests of: (i) the national economy; (ii) efficient management; and (iii) the workers. This Committee on workers’ participation in management and equity consisted of representatives of central organisations of employers and trade unions and some of the State and professionals institutions of management.

The Committee considered it essential to introduce the scheme through legislation and recommended that no distinction need be made between the private, public or co-operative sector in the matter of introducing the scheme of workers’ participation. The Committee suggested fair representation of employers and workers on the participative forums at the shop and plant levels, but could not agree on the number of workers’ representatives at the corporate level. It suggested that the representatives for these forums
should be elected through secret ballot to avoid any possible friction between the collective bargaining agent and the representatives. The committee also recommended that supervisors and middle managers should be represented in the participative forums so that they could be fully involved in the decision-making process. Thus, while recommending the structural set up, the Committee favoured the adoption of a three-tier system of participation, that is, at corporate level, plant level, and shop floor level.

Besides emphasizing the need to provide inter-linkages in the representation amongst the various forums, the committee enlisted the various function of the participative forums to be set up at different levels. At shop level, the participative management was to cover common production facilities, storage facilities, material economy, errors in documents, operational problems, wastage control, safety problems, quality improvement, monthly production schedules and targets, cost reduction programmes, technological innovations in the shop etc. The plant level participative management was confined to the functions relating to evolution of productivity schemes, materials supply, quality of inputs, storage and inventories, sharing gains of productivity arising out of an innovation made in any shop, quality and technological improvements, incentives, budget profit and loss statements, balance sheets review of operating expenses, cost of sales, financial results, labour and material costs, review of overtime, absenteeism, transfers, promotions etc. The issues relating to finance, wage structure, fringe and other benefits, bonus, housing, medical facilities, overall recruitment and personnel policies, and norms and resolution of disputes pertaining to the area of collective bargaining were reserved to be dealt with at the Corporate or Board level by the normal collective bargaining processes as may be provided for in the law.

7. Share Ownership Schemes

Profit-Sharing and Share-Option Schemes

The representation of workers on the Board enables employees' representatives to influence, involve and to play their part in strategic and policy decision-making process of
the enterprise and their effective implementation whereas, the Works Councils or Works Committees provide enough opportunities to employees’ representatives to exert certain degree of control on management and also confer on them co-decision making rights to make their work more interesting, secure and to participate actively on matters affecting their welfare and safety. Similarly, it has been found that ‘profit-sharing schemes’ and ‘savings related share option schemes’ aim to provide an opportunity for employees to share in the profits of the company and enable them to make substantial savings in the form of shares especially by employees with longer years of service. By this method, employees can earn good dividend income from their investments and also obtain good appreciation of capital. While representation at the Board or Works Council or Committee ensures participative management by indirect method that is through the involvement of representatives, profit-sharing schemes and share-option schemes ensure participative management by direct method and it involves participation of individual employees (Krishnamoorthy, 1985).

Workers’ participation in equity and their participation in management are in a sense inter-related from the point of view of attaining the ultimate goal of co-participation; besides giving a sense of dignity and status to workers as co-partners, it secures a share for them in the future prosperity of the enterprise. In the Western countries, this method of direct participation by way of share-option scheme is very much in popular as it is felt that share ownership can help in developing employees’ understanding of and commitment to business and a successful enterprise must have both direct and indirect participation of work force in as much as both are interdependent and complementary to each other.

In India, as early as 1959, the Krishna Menon Committee while arguing for workers’ participation in management as well as in the ownership as shareholders, had recommended that 25 per cent of the share capital of government companies should be made available to the public in such a way that these shares may be either confined or made preferentially available to those engaged in industry and a director can then be drawn from the ranks of the investing employees. In 1960, there was a proposal before the Planning Com-
mission that some shares of the public companies should be earmarked for the employees and workers of the company. In 1971, the Government declared its intention to allow the workers to hold shares in suitable public undertakings. In 1978, the Committee on workers’ participation expressed the view that it should be optional and should not be looked upon as a legal means to ensure participation in management. It was recommended that not less than 10 per cent of all new shares issued in future by a company should be reserved exclusively as workers’ share and offered to the workers of that company.

In 1985, the Government announced two new schemes, both optional, to give workers a share in the equity of their companies. The schemes were not meant to be a substitute for workers’ participation in management and the Government would continue to encourage workers’ participation in the management of companies.

The first scheme, known as ‘Employees Stock Option Scheme’ (ESOP), has been made applicable to all public limited companies and is voluntary on the part of employer company as also on the part of the employees or workers. The scheme covers all permanent employees and executives including managing director and whole-time directors of a company. However, persons employed or engaged by a company on casual or daily wage basis cannot participate in it. All covered employees would be given three options of saving at three different rates, that is; Rs. 500, Rs. 1000 and Rs. 2000 per annum, under this scheme. The savings would be for five years. The employees would join the scheme in the base year by paying the initial contribution under either one of the three savings options which would be available. At the start of the scheme’s operation, an instrument in the nature of convertible debenture would be issued to the employees concerned. This instrument known as Employees Convertible Debenture (ECD) cannot be transferred or negotiated till all the five annual installments have been paid by an employee. On completion of the fifth year, the amount contributed by an employee would compulsorily be converted into equity shares introduced by the company.

The second scheme for the introduction of a stock option of employees has been
made applicable to public limited companies having 500 or more employees, preferably to companies listed on the stock exchanges. This scheme, also, is voluntary in nature and no compulsion can be used on employees to subscribe the issues. This scheme is also applicable only to permanent employees or executives of the undertaking.

4.3 Lessons from Indian Experience

The formal system of participative management in India is through the constitution of various committees with the representatives of workers and management. However, a few employers consider the formation of these committees as an imposition on their freedom to run their own business in their own way. Many union organisations are of the opinion that workers themselves should solve their problems through their organisations’ strength and collective bargaining. They consider these committees as their rivals or substitutes and blame employers’ attitude as the main hurdle in the successful and smooth functioning of these committees.

It is the need of the time that, both employers and workers representatives should come forward, join hands and make the functioning of various committees a grand success. For this purpose, employers should do everything possible to enable these committees function properly and provide them adequate facilities and financial assistance, workers’ representatives should be leave on full pay to attend committee meeting and adequate remuneration be given for attending committee meeting beyond working hours. Relevant information and documents be made available at regular intervals. Proposals forward by these committees should be given due weightage and its implementation be reported back to them. Committee meetings should be called regularly, no indiscriminate action be taken against active workers representatives in any form.

Workers representatives should not do any thing, which comes in the way of these committees, smooth functioning. Commercial financial or technical secrets should not be leaked out. Constant touch be kept with the fellow workers and they should be adhered to extraneous issues should not be raised. Whole-hearted support is extended to these
committees. Workers should be made to realise the important role that the committees can play in reducing industrial conflicts. Problems coming in the way of these committees be brought to the notice of workers and educate them how beseech these be solved in the interests of all concerned parties.

4.4 Participative Management Experiences in Selected Foreign Countries

The experience of 21 countries with regard to their implementation of various participative schemes has been briefly surveyed in this section of study. In Sweden, ‘joint enterprise council’ is the form of employee participation in management. The German model of participation is called ‘co-determination’. ‘Trade unions’ and ‘workers’ collectives’ share managerial responsibility in Russia whereas; the Yugoslavian experiment of ‘self management’ has been a unique model of participation. ‘Union-management co-operation through collective bargaining’ has been the system of employee involvement in decision-making in the United States of America. In the United Kingdom, trade unions are represented in the board of directors. The Israeli model of participation ‘Kibbutz’ has attracted world wide attention due to its peculiar features. Japanese industries are known for its labour friendly small group activities such as ‘Kaizen’, ‘Quality Circle’ etc. ‘Management committees’ with representatives of employer and employees are common in France. ‘Self management’ system of participation in Poland has been peculiar in many respects. Besides, countries like Congo, Mali, Benin, Egypt, Iraq, Luxembourg, Venezuela, Algeria, Canada, Norway, and Zambia have their own systems of labour participation in management.

Most of the European countries have highly structured participative management process, and in many cases it is mandated by law (Beach, 1980). The structure, content and form of participative management depend on the ideology and system adopted by a particular society (Monappa, 1987).
4.4.1 Sweden

Sweden has achieved a lot in economic development and high standard of living. It is not a classless society but one free from acute class antagonisms, a large measure of reduction of inequalities, a widely shared culture, and an atmosphere of tolerance and freedom from not only religious but social bigotry and performance in many fields— including technological and industrial— whose quality equals and in some cases, excels that of many advanced countries. It is also a country where the socialist party has exercised a monopoly of power and yet it is a country of private enterprise in industry, in farming, and also mostly in trade; and the issue of public ownership of industry and land has been relegated to the position of a secondary importance.

This peculiar situation has had a bearing on labour-management relations and it is the ‘Joint Enterprise Council’ functioning as the widely recognised participative management body in Sweden. The council came into existence in 1946 through a voluntary agreement among three major stakeholders of business, namely, Employer’s Federation, Trade Union Federation, and the Central Organisation of Salaried Employees. These councils are constituted of nominees of management and representatives of labour elected, as a rule, from the members of the trade unions. The employers, under the agreement, have assumed the obligation to supply the Council with continuous production surveys including reports of changes undertaken or planned; also regular information on business trends, the state of market within the industry and the enterprise and general condition of production and sale. The object of the council meetings is to enlist the interest of the workers in matters concerning technique, Organisation and development of production and invite suggestions on these matters from the employees. Collective bargaining remains the function of the trade unions, but the cases of dismissal and lay-off fall within the purview of discussion. The employers and the employees are reported to be keen to keep Government out of their deliberations, and both have taken steps to start institutions for educating their representatives so that they make use of opportunities for consultation and communication. The Councils have improved the industrial relations, reduced the need for mediation or
adjudication and created an atmosphere free from acrimony and conflict.

However, it is a fact that the Council is advisory and has no authority or administrative functions; still it is felt that this kind of association of labour with management is sufficient and workers’ control over industrial management is neither necessary nor desirable.

The voluntary agreement between the employers on one side and the labour unions and employees on the other is said to have a direct bearing on the industrial democracy in Sweden and due weight shall be given to the fact that industrial relations have improved owing to these agreements. Joint Enterprise Councils, which have been developed in Sweden as the institutional devices for easing industrial tensions have also added to the industrial rest and peace in the country.

4.4.2 Germany

Germany has, after a state of post-war prostration, again become a strong, prosperous and vigorous state and people and leaders of that country must take credit for having rebuilt their economy with outstanding success. The German economy is characterised by a system of private enterprise and free market mechanism. The German trade unions are well organised and have a long record of experience and work and they are known to have contributed the economic recovery of Germany.

Germany provided a unique experiment in workers’ participation in the form of co-determination. It has been considered as the system of industrial democracy which gave employees genuine decision-making power on a meaningful level (Jenkins, 1973).

This is the context in which the significance of the post-war schemes of association of labour with management in Germany has to be assessed. There is a statutory provision for the appointment of the representatives of workers on Supervisory Board, Managing Board, and Works Council of the economic undertakings including nationalised undertaking like Railway. These representatives are elected by the workers in consultation with the trade unions. In the higher bodies of the mining and steel industries, the employers and
the workers have equal number of seats, but in others, the proportion of workers’ repre-
sentation is generally one-third. The Works Councils are composed only of workers. The
main purpose of this arrangement is what is called co-determination and co-decision, and
though in matters relating to personnel and welfare services, the workers’ representatives
do share responsibility for decisions, in economic matters relating to production, invest-
ment, marketing, and organisation they can only make recommendations, and as a rule
do not exercise any real authority.

The system of co-determination in Germany in its present form was established by
the Co-determination Act of 1951 and Works Constitution Act of 1952. The system of
codetermination has Works Council, Supervisory Board and Management Boards as its
organs.

The Works Council has been bestowed with co-determination rights, co-operation
rights and rights of information. It is neither a management body nor a joint body. It
represents exclusively the workers of an enterprise. Every establishment employing five
or more persons has to elect a Works Council by ballot. In firms with several establish-
ments, a central works council has also to be established. The size of the council varies
from 1 to 35 depending upon the employment strength of an enterprise. The tenure of the
council is for three years. The council elects the chairman and his deputy from its own
members. The co-determination rights of the council pertain to matters relating to wages,
work-schedules, discipline, administrative and welfare services while co-operation rights
are related to issues like group transfers, unlawful behaviour on the part of an employee
etc., and the right to information with regard to economic matters.

Supervisory Boards exist in all the industries comprising the shareholder representa-
tives and workers’ representatives along with a couple of neutral members representing
public interest. The supervisory board, elected by the share-holders’ general meeting,
has the duty of general policy guidance and supervision of the activities of the company
concerned. It approves decisions of major importance such as the closure of the estab-
Chapter 4. Participative Management Practices - Experiences in India and Abroad

In establishments, the opening of new factories, major production changes or investments above a certain volume. It does not meet more often than four or five times a year, and elects the Board of Management, which is the top management body responsible for the conduct of current business. The Supervisory Board has the duty of general policy guidance for and supervision of the activities of the companies concerned.

The important legal function of the Supervisory Board is to appoint and control Management Board. The main responsibility of the Management Board is to run the administration of the enterprise though, a few major decisions like mergers, closures, increase of capital etc., must be formally approved by the Supervisory Board.

4.4.3 Russia

The case of Russia among the centrally planned economy is interesting as regards participative management. Participation in management is carried out through the trade unions and the main responsibility of the trade unions is to initiate a competitive attitude to work and to apply methods aimed at full participation by the workers in achieving the targets assigned to the industrial undertaking by the Five-Year Plans.

Russia has now occupied the position of biggest industrial power. The socialist revolution has been a revolution uplifting the position of the worker and nationalisation of industry, land, trade, and finance are meant primarily to be the instruments of placing the workers in the centre of the economy and making them its masters. Great expansion of production, marvelous advance in technique, science, education, health, social security, and social mobility have occurred because, according to the Russian view, the worker is working in and for an economy which belongs to him and is being operated by him and is for his well-being. This view has helped in developing a sense of belonging among the workers in Russia and has raised not only the level of their performance but also given a meaning to their work and development of their personality.

The following principles facilitating participative management have been included in the ‘labour programme’ of the Russian Government:
1. The extensive participation of the workers’ collectives in the management of enterprise;

2. Expansion of the role and responsibility of local bodies in management; and

3. The direct and most active participation of trade unions in elaborating and realising economic plans.

Trade unions are identified as the agencies through which the workers are assumed to participate in planning and management. They, besides negotiating collective agreements, are consulted in fixing norms by the Director and they are expected to safeguard the interest of the workers in the implementation of labour laws and regulation and administer all beneficial, cultural and social welfare activities. Each enterprise holds conferences for production and planning at which the Director is to take the workers into confidence, explain problems and plans, invite discussions and suggestions and give due weight to the views of the workers and incorporate them in the plans and reports which he forwards to the higher authorities. The trade union organs at the industry, area, and republic levels are expected to be consulted in regard to fixation of wages, formulation of plans and policies, decisions on problems of labour, production in particular fields and the working of the economy as a whole.

4.4.4 Yugoslavia (erstwhile)

[Yugoslavia dissolved in the early 1990s into five independent countries, namely, Bosnia and Herzegovina, Croatia, Macedonia, Serbia and Montenegro, and Slovenia. However, it has been found that the ‘self-management’ form of participative management of the erstwhile Yugoslavia has been a unique experience cherished worldwide and enough research studies have been conducted across the world on this particular form of participative management; hence, regardless of the disintegration of the nation, a brief account of the Yugoslavian ‘self-management’ has been attempted.]

Yugoslavia had been devastated by war but rejuvenated its industrial sector through
the participative approach called 'self-management'.

Yugoslavia has been experimenting for the past many decades with a mode of production in which ownership and control of the means of production vest in the workers of each enterprise. There are of course, no class conflicts and no trade unions. The system in operation in Yugoslavia has emerged out of her own historical experience but it is a genuine effort to give the workers the power of management of economic undertakings.

Experience of Yugoslavia in participative management has been unique in many ways and worthy of serious consideration. A small and developing country, thrown upon its own resources to fight and repel the Nazis, emerged from the second world war with depleted economic resources and devastated economy but with great moral strength and zeal for building up socialism owing to the experience gained by the people in valiant resistance which they put forth during the war.

Experience of Yugoslavia is worthy of serious consideration from the standpoint of industrial democracy. The introduction of workers' self-management in 1950 marked the beginning of transformation of 'state-run economic enterprises' into enterprises with 'workers' self-government'.

An enterprise is to run with the help of: (i) Working Collectives, (ii) Workers’ Councils (iii) Managing Boards (iv) Director of the enterprise.

The Working Collectives, the general body of the workers in the enterprise, are vested with the right to manage the enterprise, indirectly through the Workers’ Council, the Managing Board and the Director. The working collectives elect the Workers’ Councils and the Managing Boards with the right to recall them either as whole or individual workers.

The Workers’ Council is the highest managing body of the enterprise consisting of 15 to 120 members, depending on the size of the enterprise, elected for a year’s term by the working collectives. The Council makes decisions on the basic economic activities, organisations, and labour relations of the enterprise.
The Managing Boards consists of 3 to 11 members including the Director. The Board directly manages the enterprise as per the directions of the Workers’ Council. The Board decides on the appointment of employees to executive posts, take decisions on workers’ complaints related to the Director’s decision on labour relations, takes step to promote production and improvement of conditions of work etc.

The Director of the enterprise is appointed by the Working Collectives following a public contest and on the recommendations of a special commission attached to it. The Director executes the directives of the Workers’ Council and the Managing Board and operates the enterprise with the assistance of Vocational Executives. The Director hires workers, ensures discipline and assigns personnel to jobs. All workers are accountable to him. He is also assisted by a Disciplinary Court appointed by the Workers’ Council.

Yugoslavia’s system of participative management has been widely acclaimed as the only experiment in workers’ self-government (Pylee, 1975). More commonly the experiment is known as self-management. Self-management can be understood as the management of an enterprise by its work-force. In other words, it does not provide simply for a degree of consultation with the workers or their partial involvement in the decision-making process but, bestows upon the workers themselves the right and duty of managing the enterprise in which they works.

4.4.5 United States of America

In the United States of America (U.S.A.), the form of workers’ participation is that of union-management co-operation which operates through collective bargaining agreements. Collective bargaining is labelled as a form of participation in U.S.A. The Americans’ faith in private property and private ownership, inherent conflict between the interest of the workers and management, each representing an ‘interest group’ and the anti-socialist stand has also contributed in the consolidation of their faith in collective bargaining (Kennedy, 1973). Because, it is contended that any form of participatory machinery must emerge out of voluntary agreements between the unions and the managements and any super-
imposed machinery is likely to fail, particularly because of either workers’ lack of capacity to participate or managements’ non-acceptance of participation.

The criticism leveled against collective bargaining as a form of participative management is mainly based upon theoretical aspects. As in the case of human relations approach, collective bargaining does not provide any opportunity for the growth of the employees, in reducing their sense of alienation and other ills of industrial capitalism. Human relations approach itself has been criticised on the ground that it emphasises the use of participative management as a technique of management and still ignores the exploitation on the human resources that were otherwise available to the Organisation (Jenkins, 1973).

Collective bargaining as a form of participative management, has certain other limitations as well, for example, much depends upon the strength of the unions in the enterprise and more so when more than one union is operating in the Organisation where the parties to collective bargaining are supposed to function in good faith. Where the management is responsible for providing information necessary for the bargaining purposes, collective bargaining does not remain as a continuous process, as joint consultation or co-decision may and change in any circumstances may adversely affect the strength of unions or the management. Moreover, under the capitalist system, as is often criticized by the radicals, the collective agreements under collective bargaining are honored by the labour unions, more or less, in the interest of expediency which may not become the basics for sound and good industrial relations (Ramaswamy and Ramaswamy, 1981).

Another form of employee motivation and participation in the U.S.A. is ‘Employee Stock Ownership Plans (ESOP)’. Since 1974, tax incentives have been provided to joint stock companies to promote the concept of ESOP. Law requires a trust to be created for each ESOP to hold a part or whole of the stock of a company on behalf of its employees. Typically, the company makes a voluntary contribution out of its profits to the trust to acquire shares of the employing company for the employees. The law further requires that each individual’s holdings are carefully accounted for and provides that the shares will be
distributed to workers automatically as they retire. In companies where employees own more than 10 per cent of the total stock, the employees have voting rights too.

4.4.6 United Kingdom

It is interesting to mention that, both in the U.S.A. and United Kingdom (U.K.) the initiative for employee ownership schemes has come not from the employees, not so much even from the employers but, firmly due to the efforts of national governments.

The U.K. is one of the pioneer countries in setting up the consultative committees aimed at harmonising industrial relations. Apart from consultative committees, the trade unions are represented in the Board of Directors. But, both the parties involved in joint consultation have shown disinterest in such committees because, managerial matters and the deliberations centered around welfare issues (Virmani, 1978). The British Trade Union Congress strongly advocates adoption of a worker participation system similar to the co-determination model in Germany which has been strongly opposed by the employers. The Lord Bullock report, however, recommended parity representation of employees on Board of Directors along with shareholders’ representatives. Many of the recommendations of the Bullock Report were also opposed by the employers and consequently, the Government rejected some of the controversial elements of the report and perhaps, encouraged voluntary participation agreement (Jain, 1980).

In the U.K., the employee stock holding scheme was approved under the Finance Act of 1978. All full time employees of the company with five or more years’ service are eligible to participate. The company makes annual allocation out of its profits to the trustees of the scheme to secure shares on behalf of the participants.

However, there are doubts about the success of the British system of participative management. “The British system of workers’ participation in management, has achieved limited success due to the management view of the system as unwarranted encroachment on their prerogatives and the workers’ inclination to use it as a tool for gaining more benefits for themselves and for exerting their power.” (Agarwal, 1977).
It may be noted that Nationalisation Acts in the U.K. made it obligatory on the part of the nationalised industry or service to accord recognition to a representative union and develop joint consultative machinery for consultation. The Bullock Committee of 1975 in U.K. recommended representation of workers' even at the Board level of enterprises and this was to be implemented even by the nationalised industries and services.

### 4.4.7 Israel

A noteworthy experiment in participative management is the Israeli ‘Kibbutz’. In Hebrew, Kibbutz means ‘group’. The Kibbutz movement was the attempt to integrate Jews from all over the world, to give them work and to inculcate in them distinct notions about the meaning of work and the virtues of living together (Barkai, 1975).

In the Israeli experiment, the members of Kibbutz are the pioneers and further determine as to who will manage the industry and how. It is established that the liberation of workers from work alienation was dependent on participation in ownership and management. The Kibbutz was also to enjoy clear political legitimacy from their very inception. The Kibbutz has been an object of public pride and as such legal support was not necessary as they were voluntary association which governed themselves (Porat, 1981). In the Kibbutz, the community of members makes the general assembly which in turn, elects its secretariat.

The Kibbutz experience in Israel is rather unique through which attempt to build a new society based on freedom, equality, mutual help and brotherhood has been made. “This experience is a direct contrast to the private property concept of capitalist economy, as well as the Soviet model of vesting property exclusively in the state.” (Sharma, 1990). The Kibbutz attempted to translate socialist principles into everyday practice by accomplishing the ideal of ‘each receives according to his needs and each contributes according to his ability’. Considering work as a source of joy and sustaining force in life, rather than punishment, the Kibbutzim have been very successful. Since, all Kibbutzim are thoroughly democratic, the concept of a wage has disappeared- each member lives as a member of a
community on the common funds of the Kibbutz. After the Second World War, Kibbutz has tended to move into industrial production mainly to provide employment to the members, because with rapid advancement in agriculture, the manpower had become surplus.

Each Kibbutz, in principle, has a general assembly, which usually meets once a week to discuss its farming activities and once a month for its industrial activities. It elects several committees to manage the activities. Every major decision is approved by a general meeting in which each member has a vote (Jenkins, 1973).

However, with more involvement in industrial activities the Kibbutzim have faced the problem of hiring outside workers on a regular wage basis among whom the Kibbutz do not find the same degree of commitment. Most of the Kibbutz has, therefore, tried to do away with hiring labour.

Nevertheless the system has not been free from problems. Even though, participation is very highly developed, there remained problems at the level of execution and individuals. The large number of litigation filed before Labour Courts proved the growing dependence of workers on litigation rather than workers’ participation, as a means to solve their personal problems (Michael, 1979).

4.4.8 Japan

Management of industrial establishments in Japan is based on the philosophy of ‘small group activities’. In Japan, the participative spirit is infused right from the childhood of an individual. The children are made to learn the values of participation and team building while they are at play. No wonder that the Total Quality Management (TQM) through Quality Circles (QC) has become the management style in Japan.

A feature of Japanese industrial management is the use of the philosophy of ‘Kaizen’. It is a system of continuous improvement in quality, technology, process, company culture, productivity, safety, and leadership. Under the system, every one in the industry is encouraged to come up with small improvement suggestions on a regular basis. Kaizen also
involves setting standard and then continually improving those standards.

The effective human resource management in Japanese Organisations has been the secret of success of the Japanese industry. Japanese management has developed a unique system of participative management characterised by maximum trust and confidence in employees who enjoyed decent pay and job security, greater respect and dignity for maximum involvement in decision-making at all levels and sharing information in all important issues.

To understand the Japanese system of participative management, it is imperative to take into account the process of decision-making in Japanese enterprises. The process known as ‘ringi’ involves a consensual approach to decision-making throughout the Organisation based on confidence in the capabilities of subordinates. The concept of ‘ringi’ has came from two Japanese words ‘rin’ which means submitting a proposal to one’s superior and receiving his approval and ‘gi’ means deliberations and discussions. (Sarathi, 1986). The ‘ringi’ system in Japanese companies associated with dispersion of involvement in actual decision making to lower levels in the management hierarchy.

4.4.9 France

‘Works Council’ has been the major participatory organ in France. Participation was made compulsory during the Second World War, but it could neither build co-operation nor trust between the two sides, namely, managers and workers. So in France, participative management has achieved only a limited success as it has been initiated due to compulsion of law and circumstances rather that voluntary agreement (Agrawal, 1977).

In France, in the final days of the Second World War, workers had set up ‘Management Committees’ to run enterprises whose owners had fled. This spontaneous movement was legitimised by the legislation of 1945 and 1946 which extended the obligation to set-up works councils to all the firms having more than 50 employees. The council comprised elected representatives from each category of employees, with the chief executive as the Chairman. The works councils has the right to information, which was extended to mean
the right to be consulted on economic and financial problems. With respect to the welfare activities, the works councils had a free rein and this was the area where the councils have been effective. Otherwise, on the whole, the councils have had little impact on the economic aspects of the running of the enterprise (Jain, 1980).

The rigid and autocratic behaviour of the management has been one of the reasons for the failure of the system (Jenkins, 1973). The general alienation among workers that resulted in the paralysis of all the activities in France still pervades, as the system of works councils heavily relies upon the goodwill of management. Therefore the results of the works councils experiment in France are disappointing (Jain, 1980).

4.4.10 Poland

In Poland, ‘self-management scheme’ has been in operation as a means of employee participation in management. The structure of workers’ self-management scheme has been defined under the Workers’ Self-Management Act of 1958. The Act provided for a Plant Committee, Self-Management Conference (SMC), a workers’ council, and a Department Council, particularly in large undertakings. The most noteworthy influence of self-management bodies has been on the operations of the works fund, which was financed by a levy on profits. This works fund provided resources for housing, social benefits and for the reward for workers in accordance with their merit.

According to the Act of 1958, a leading role should be played by the Plant Committee and SMC, workers’ councils of workshops and workers’ councils of the undertaking etc. should work in subordination to the Plant Committee.

SMC in a business undertaking shall function in co-operation with a regional cell of the Polish United Workers Party. The SMC shall have an Executive Committee of Presidium which makes recommendations on the appointment or dismissal of the General Manager. The General Manager is responsible to the Supervisory Department of the State.

The Polish type of participative management has been characterised by workers’ con-
trol over the economic activities of the enterprise without interfering in its management. Obviously, the workers were relatively passive towards the self-management bodies and only a small part of the manual workers took active part in self-management, except in connection with supervision of the distribution of bonuses and other rewards.

4.4.11 Congo

In the People's Republic of the Congo, an ordinance of ‘three co’s- co-determination, co-decision, and co-responsibility’ was introduced in 1973 in all business undertakings which the State had an interest. In 1982, a legislation was promulgated to the effect that business establishments under the State are economic units belonging to the people, the activities of which concern the development of the country and play a strategic role in building socialism. Thus, state undertakings have the status of a public establishment, enjoying legal and financial autonomy. They are run by a Management Board and include members from the Government, trade unions, and social institutions. In order to make the system of co-determination, co-decision, and co-responsibility effective, there are bodies such as the permanent committee on production and production control, the joint committee on promotion and social security etc.

4.4.12 Mali

In Mali, workers’ representation on Board of Directors has been introduced in public undertakings by an ordinance in 1969. There is also a management committee which has been set up in each undertaking to associate its workers with the management of the undertaking. It must be consulted particularly on questions of the work organisation, improvement of working conditions and productivity and disciplinary matters and must also be kept informed of the progress of the undertaking and its financial situations.

4.4.13 Benin

In Benin, after a series of nationalisation, workers’ representation was introduced in 1973 on the Boards of Directors of companies entirely or partly owned by the State. The workers’ representatives are chosen by the trade union council of the undertaking. The Board
of Directors is comprised of a Chairman appointed by the concerned minister in-charge of the department, representatives of other concerned departments and representative of the National Revolutionary Council. The management committee of each undertaking includes, in addition to the general manager and other managers, a representative of the Government and five representatives of workers. The reports of the management committees as well as of Boards of Directors are examined in the general meetings of the workers. In these meetings, the wide ranging discussions on all matters concerning the undertaking and its workers are made.

### 4.4.14 Egypt

In Egypt, the workers’ representation on Board was in vogue since 1961, and workers held only two seats out of the seven. In 1963, parity representation was introduced by a series of decrees. All public sector companies are run by a Board of Directors consisting of at most eight members and a chairman; half represent the workers, the other half and the chairman is being appointed by the presidential decree. The worker members are elected for two years by secret ballot under the supervision of the ministry responsible for social and labour affairs.

During the early years of this type of participation system, the management often complained about the lack of qualification and experience of worker-members, while the workers’ representatives sometimes blamed the chairman and other members of the board for lack of collaboration, unsatisfactory practical arrangements, insufficient interest in personnel matters and, in general, for their autocratic attitude and marked reservations about participation, and for the frequency of the occasions on which they met outside the board room to come to agreement. In order to remedy these weaknesses, a substantial training was provided and the Act of 1966, defined more clearly the duties of Boards of Directors.

### 4.4.15 Iraq

In Iraq, the public undertakings constitute the largest sector of the economy. Since the adoption of the Act of 1970, the wage earners have had two representatives on the Boards
of Directors of public undertakings. The main function of the board is to lay down the policy of the undertaking and supervise its execution but most of their decisions are subject to the approval of the Government department directly concerned. In certain undertakings, where there are no Boards of Directors at the level of each undertaking, there are consultative committees chaired by the general manager of the undertakings and consisting of its senior executives and two workers’ representatives designated by the trade union organisation. These consultative committees submit ‘resolutions’ for the approval of the Board of Directors of the group of undertakings in each industry.

4.4.16 Luxembourg

In Luxembourg, workers’ representation on the Boards of Directors of companies, employing at least one thousand workers, was introduced by an Act of 1974. For this purpose, the companies are of two types- holding a State concession for their principal activities and the other, financed by the State to the extent of 25 per cent or more. In the first type, the representation is limited to the extent of one third of the total number of members in the Board, while in the second type; there is one director for every 100 workers with a minimum of three and a maximum of the one-third of the members of the Board. The workers’ representatives in the Board are elected by ballot in accordance with a system of proportional representation. But in the case of iron and steel industry, the most representative trade unions may directly appoint three representatives who do not necessarily have to be the employees of the undertaking. The appointment of an independent auditor of such companies can also be made by the unanimous approval of the members of the Board representing the shareholders and workers.

4.4.17 Venezuela

In Venezuela, workers’ representation on the management bodies as a form of participative management has been introduced by the Act of 1956 in autonomous institutes, public undertakings and state economic development bodies. Nominations are made by the trade union confederation and five names are forwarded to the concerned government
department. From amongst them, the department chooses two members. In spite of the fact that representation is on a minority basis and the workers’ representatives may not be appointed to any executive office on the Board, the participation has become quite active.

4.4.18 Algeria

Self-management came into being in Algeria in 1963, after the proclamation of independence and at a time when the workers took over the operation and management of various undertakings due to the departure of the previous owners and managers. In Algeria, the participative management machinery comprises of a workers’ assembly, an elected workers’ council, an elected management board and a manager appointed by the Government. Initially, the self-management system did not extend to whole of the industrial sector. It was in the year 1965, when the Algerian government started treating workers not just wage earners but ‘producers cum managers’ and it adopted in 1971, a code and charter for the socialist management of undertakings.

Various participative bodies are associated with the management in deciding personnel policy, in particular, in regard to recruitment, termination of employment, pay, training, health and safety, and working conditions.

4.4.19 Canada

In Canada, the Department of Labour has been very active in the growth of voluntary joint consultation schemes which contributed to the establishment of joint committees. These committees are of purely consultative nature and were originally set up to increase productivity, yet, the committees deal with varied topics relating to welfare, health and safety, cost reduction and anything which contributes generally to good management.

Collective bargaining as a method of workers’ participation in decisions within the undertaking also plays a very important part in Canada.
4.4.20 Norway

In Norway, an Act which came into force in 1973 provided for the establishment in mining and manufacturing undertakings which employ more than 200 workers, of a new type of assembly of which one-third of the members is to be elected by the employees. This assembly has the final power of decision concerning important investments as well as in matters of rationalisation or re-organisation of the undertaking which substantially affect the employees. In Norway, manufacturing industries which employ more than 200 workers shall have at least two representatives of employees in their Board of Directors. Almost similar participative mechanism has been introduced in the construction industry, transportation industry, newspaper publishing undertakings and also in hotels and catering industries.

4.4.21 Zambia

In Zambia, an Act of 1971, provided for the setting up of works councils in undertakings with more than 100 employees. These councils are entitled to receive information concerning decisions of economic and financial nature, job evaluation and the wage system. They have the right to be consulted on the appointment or the dismissal of the personnel director and on all questions of labour welfare. They have extensive rights of co-decision, in particular to the recruitment of workers and the fixing of wages, incentive payments, disciplinary rules, reduction of the workforce etc.

4.5 Conclusion

The question of giving workers a sense of belonging, an increased share in the affairs of the industry, has been a very important issue all over the world. Emergence of a specific form of participative management as well as the extent of its realisation depends on the social environment, the level of economic development, the political system prevalent in the country and, above all, the values held by management and workers. Today, participative management constitutes a large social movement which is marked by many radical tendencies.
References


