

Lesson - 19

INDUSTRIAL DEMOCRACY SIGNIFICANCE OF INDUSTRIAL RELATIONS

19.0 Objective:

On completion of this lesson, you should be able to understand the:

- * what industrial democracy is,
- * what its purpose is, what advantages can be derived if it works well and what conditions are necessary for its successful implementation.
- * growing importance of Industrial Democracy.
- * prerequisites for Industrial Democracy
- * possible Gains of Industrial Democracy
- * significance of Industrial Relations
- * suggestions to improve industrial relations

Structure:

- 19.1 Introduction**
- 19.2 Significance of Industrial Democracy**
- 19.3 Purpose of Industrial Democracy**
- 19.4 Growing Importance of Industrial Democracy**
- 19.5 Prerequisites of Industrial Democracy**
- 19.6 Possible Gains of Industrial Democracy**
- 19.7 Workers Participation**
- 19.8 Significance of Industrial Relations**
- 19.9 Causes of Poor Industrial Relations**
- 19.10 Suggestions to improve Industrial Relations**
- 19.11 Summary**
- 19.12 Technical Terms**
- 19.13 Self - Assessment Questions**
- 19.14 Reference Books**

19.1 Introduction:

Over the last several years, a combination of powerful social, cultural, political economic

and industrial pressures have created world - wide demand for greater participation and democratisation. Democracy is 'Government of the people, by the people and for the people'. Industrial Democracy should likewise, mean management of a unit by the people, and for the people . People here would mean all those concerned with a unit- the owners, the managers, the workers, the customers, the suppliers, the state and the society as a whole. They are all important as they have stake in the proper functioning of the unit.

In a dynamic society, industrial relations should be based on an integrated and synthetic approach, and should aim at the development of a common social, cultural and psychological understanding on the one hand and restraining the conflict or struggle complex on the other. The philosophy behind industrial relations in a democratic set-up is to ensure the dignity and welfare of the individual, so that he may develop into a good citizen, so that he may be free from domination, regimentation or arbitrary authority, where this authority is exercised by a management, Trade Union officials or government officials.

19.2 Meaning and Significance of Industrial Democracy:

Democracy is 'Government of the people, by the people and for the people. Industrial Democracy should likewise, mean management of a unit by the people, and for the people. 'People' here would mean all those concerned with a unit-the owners, the managers, the workers, the customers, the suppliers, the society and state as a whole.

Unfortunately, however, political thinkers, social scientists, administrators, businessmen, all have so far thought only of the workers and not others in their concern for industrial democracy. The state sets its say as a regulator of business. The customer, the suppliers and the society are left out. Some awareness towards society in developing through realisation of social responsibility of business.

Real industrial democracy will come about when major policy decisions in an industrial unit are taken by a body comprising representative of all parties concerned, each having an equal voice in an environment that enables free and frank expression of power.

19.3 Purpose of Industrial Democracy:

The purpose of industrial democracy is to give the workers a sense of belongingness to the organisation and a sense of commitment to various decisions taken. In its absence they will consider themselves to be just employees, having no commitment to the objectives or the policies, plans and programmes of the organisation and no responsibilities for any thing that goes wrong in relation to them in the organisation. This will, in the ultimate analysis, hinder the effective working of the organisation and its growth.

19.4 Growing Importance:

The thinking that workers should participate in the management of enterprises which employ them is not a new one. But recently industrial democracy has become a topic of great interest this is because of the following factors:

1. The results, of the various experiments initiated by several countries like England, Sweden, Germany, Yugoslavia, USA etc. for increasing production during the second world war and the immediate post-war period with the cooperation of workers through the formation of productivity

councils, the works councils, Joint Consultation Committees, Worker's Councils, etc; are now beginning to mature.

2. In England and the Scandinavian nations, where negotiation rather than legislation has been the traditional method of solving industrial problems, the economic and social climate is now such that industrial democracy can be discussed responsibly by the parties concerned.
3. There is growing awareness that increased productivity and a higher standard of living depend largely on the willingness of the workers to cooperate in the drive for greater efficiency.
4. What increased complexities arising out of technological changes and economic progress, efficient administration and skilful management are increasingly regarded as a prerequisite for welfare of an enterprise and this, among other things, requires that management take employees with them in their efforts.

19.5 Prerequisites for Industrial Democracy:

Three conditions are necessary for successful functioning of democracy.

1. Every citizen should be treated as an equal human being. Nobody should be treated as inferior because of nationality, caste, region, sex, ethnic group or financial condition, mere lip sympathy to equality is not enough.
2. Every citizen should have freedom of movement in his daily life and freedom to make an autonomous contribution to the life of the community. If freedom is restricted by the need to earn a living or by censorship or by other means, no formal arrangement for representation can create an affective democracy.
3. The leadership should be removable by and responsible to those who are led. Leadership should not be permanently controlled by some political party or loyal to a narrow social stratum.

Unfortunately, however, there would hardly be any country where these conditions prevail to the full extent. A hundred percent success of democracy, therefore, is just an ideal towards which society should move. The nearer it approaches it the better it would be. These conditions are equally applicable to industrial democracy as well. For operationalising industrial democracy some additional care is to be taken. First, since, workers participate in the process of decision making mainly through their representatives, i.e., trade union leaders, a unified, independent and strong trade union movement is necessary. Secondly, management, must accept unionism and work with it. Thirdly, public policy should facilitate and encourage voluntary collective bargaining.

The ideal kind of industrial democratisation would mean ensuring that workers are in a position to influence the decisions taken at the top. Since the traditional process of management works from top to bottom there is need to integrate both these systems without Jeopardising the objectives of the business. It is, no doubt difficult to reach the ideal but some efforts can be made in this direction and several forms have been tried with some degree of success in some countries, e.g. joint consultation in the U.K., co-determination in West Germany, Self Management in Yugoslavia and Works Committee, Joint Management Councils, Shop Councils and Plant Councils in India.

19.6 Possible Gains of Industrial Democracy:

The possible gains from effective functioning of industrial democracy include:

1. With greater share of workers in making decisions that affect their work, there would be less likelihood of their taking actions that lead to interruption work. This will lead to industrial peace.
2. With peaceful resolution of industrial conflicts, there would be reduction in loss of production.
3. Democratisation may lead to human happiness in the industrial community. This will possibly lead to a decline in voluntary absenteeism, sickness, accidents, labour turnover and other symptoms of maladjustment.

19.7 Industrial Democracy - Worker's Participation in Management:

If perfect democracy is just an ideal, which can be attempted and approached as proximately and humanely as possible, it is more so in industrial democracy, where superior - subordinate relationship are more prominent between the employer and employees, managers and workers and between one level of hierarchy of organisation and the other. Some efforts have been made in this direction in various countries. These are various forms of what we call "Workers' Participation".

Workers' participation is not the same thing as industrial democracy. Industrial democracy is an ideal and an ultimate goal that should be approached for the benefit of the employees, the industry and the society as a whole, whereas workers' participation is a process through which efforts are being made to approach that goal.

Worker's participation is, thus, an essential step in the direction of industrial democracy. It is believed that workers' participation in management enhances productive efficiency, fosters industrial harmony, enriches human personality, and renders workers' participation a vehicle of industrial democracy. Workers participation today is no longer a question of "whether" but of "how".

19.8 Significance of Industrial Relations:

19.8 (a) Meaning:

Broadly, the term "Industrial Relations" is used to denote the collective relationship between management, employees' and government in any industrial or non-industrial organisation. Individual relationships of workers with their management are thus excluded from the scope of industrial relations and form part of Personnel Management.

19.8 (b) Nature of Industrial Relations:

Industrial Relations are always a mixture of cooperation and conflict. However much cooperation may be sought as an organisational objective, some conflict will always remain. There are at least three reasons for this:

1. Both the groups (labour and Management) develop different orientations and perceptions of their interests. They also develop generally negative images about each other.
2. There are no mutually accepted Yardsticks or norms to tell to the two groups how far they should, go in the pursuit of their objectives. In the absence of norms both groups claim complete rationality for their demands.
3. There is no neutral field for the groups to meet on. This means that whenever the two groups meet each other for negotiations they bring with them some carry over from the past besides their inherent distrust and suspicion for each other.

19.8 (c) Significance of Industrial Relations:

The significance of good industrial relations in any country cannot be over emphasised. Good industrial relations are necessary for the following reasons:

1. To help in the economic progress of a country. The problem of an increase in productivity is essentially the problem of maintaining good industrial relations. That is why they form an important plank of the economic development plan of every civilised nation.
2. To help establishing and maintaining true industrial democracy which is a prerequisite for establishment of a socialist society.
3. To help management both in the formulation of informed labour relations policies and in their translation into action.
4. To encourage collective bargaining as a means of self regulation. They consider the negotiation process as an educational opportunity, a chance both to learn and to teach.
5. To help government in making laws forbidding unfair practices of unions and employers. In a climate of good industrial relations every party works for the solidarity of workers' movement unions gain more strength and vitality. There is no inter-union rivalry. Employees give unions their rightful recognition and encourage them to participate in all decisions. Unions divert their activities from fighting and belligerence to increasing the size of the distribution-cake and to making their members more informed (workers education) on vital issues concerning them.
6. To boost the discipline and morale of workers. Maintenance of discipline ensures orderliness, effectiveness and economy in the use of resources on the other hand, lack of discipline means waste, accidents, loss and confusion. It also means insubordinations and non-co-operation.

19.9 Causes of Poor Industrial Relations:

Poor Industrial Relations produce highly disquieting effects on the economic life of the country. They leave behind a lot of privation for the workers, reduction in output and profits for industries, high prices and inconvenience for the general public and an atmosphere of mutual distrust and suspicion for the workers and the employers. We may enumerate the ill effects of industrial disputes as under:

- 1. Multiplier effect:** Modern industry and for that matter modern economy are interdependent. Hence, although the direct loss caused due to industrial conflict in any one plant may not be very great, the total loss caused due to its multiplier effect on the total economy is always very great.
- 2. Fall in normal tempo:** Disputes adversely affect the normal tempo of work so that plants work for below the optimum level. Costs build up. Absenteeism and labour turnover increase. Plant discipline breaks down and both the quantity and quality of production suffer.
- 3. Resistance to Change:** Dynamic industrial situation calls for change more or less continuously. Methods have to be improved. Economics have to be effected. New technologies have to be introduced. New products have to be designed, produced and put in the market. Each of these tasks involves a whole chain of changes and this is resisted bitterly if there is industrial conflict.
- 4. Frustration and Social Cost:** Every man comes to the work place not only to earn a living. He wants to satisfy his social and egoistic needs also. When he finds difficulty in satisfying these needs

he feels frustrated. Disputes take a heavy toll in terms of human frustration. They reduce cordiality and aggravate social tension.

19.10 Suggestions to Improve Industrial Relations:

1. Both Management and Union should develop constructive attitudes towards each other:

If Managers do not fully accept the union or if union leaders do not fully accept the business system, harmonious industrial relations cannot be expected. Management must accept workers as equal partners of a Joint Venture. It must recognise their union as the spokesman of their grievances and as custodian of their interests.

2. All basic policies and procedures relating to industrial relations should be clear to every body in the organisation:

The personnel manager must make certain that the line people will understand and agree with these policies. Thus, this leads to good relations among organisations and union leaders.

3. All rumours, suspicious and doubts should all be put to rest:

Thus, this leads to good and cordial industrial relations among the organisation people. (Staff and line people).

4. Management should encourage right kind of union leadership:

While it is not for the management to interfere with union activities, or choose the union leadership, its action and attitude will go a long way towards developing the right kind of union leadership. "Management gets the union it deserves" is not just an empty phrase. Management should create conditions which would stimulate growth of competent and constructive leadership.

5. Settlement of an Agreement:

After the settlement is reached the agreement should be properly administered. This involves the application, interpretation, and enforcement of the terms and conditions which the parties have agreed to both in letter as well as in spirit.

6. Recognise Workers Loyalty:

The personnel manager should not try to wean them away from the union. Workers feel and rightly so, that they can be loyal to both the organisations. Several research studies also confirm the idea of dual allegiance. There is strong evidence to discard the belief that one can owe allegiance to one group only.

19.11 Summary:

Democracy is 'Government of the people, by the people and for the people'. Industrial democracy should likewise, mean management of a unit by the people, and for the people. The purpose of industrial democracy is to give the workers a sense of belongingness to the organisation and a sense of commitment to various decisions taken. It is believed that workers' participation in management enhances productive efficiency, fosters, industrial harmony, enriches human personality and renders workers' participation a vehicle of industrial democracy.

The concept of industrial relations has been extended to denote the relations of the state with employers, workers, and their organisations. Therefore, individual relations and joint consultation between employers and workers at their place of work. Collective relations between employers and their organisations and trade unions; and the part played by the state in regulating these relations.

19.12 Technical Terms:

1. Democracy : Government by the people.
2. Multiplier : Many, Much, Make many

19.13 Self - Assessment Questions:

1. What is mean by industrial democracy? Explain the purpose and advantages of it?
2. Define Industrial Democracy? Explain prerequisites of industrial democracy?
3. What is meant by Industrial Relations? What is their importance? Describe the conditions for good industrial relations.
4. What are the causes of poor Industrial Relations? Give your suggestions to improve the industrial relations.

19.14 Reference Books:

1. C.B. Mamoria, *Personnel Management*, Himalaya Publishing House, New Delhi, 1999.
2. IGNOU - Study Material
3. P.C. Tripathi, *Personnel Management & Industrial Relations*, Sultan Chand & Sons, New Delhi, 1996.

Dr. D. NAGESWARA RAO