Workers’ participation in management and social responsibilities of companies are two topical and at the same time controversial topics with regard to company management.

Workers’ participation in management is nothing new. It is as old as the institution of owners and workers. But its importance has increased and has been brought into sharp focus with the industrial revolution and the advent of large enterprises.

In its narrow sense, workers’ participation in management refers to the constitution of Consultative Councils and Committees, consisting of representatives of employees and employer, to recommend steps for improving productivity, machine utilisation, job loading; for effecting savings in power, light, and so forth. In its broad sense, workers’ participation means associating representatives of workers at every stage of decision-making, as is done in West Germany and Yugoslavia.

"The term workers’ participation' is considered as a process by which the workers’ share in decision-making extends beyond the decisions that are implicit in the specific content of the jobs they do. This, in actual practice, amounts to the workers having a share in the reaching of final managerial decisions in an enterprise". ¹

A clear and more comprehensive definition is: "Workers’ participation may broadly be taken to cover all terms of association of workers and their representatives with the decision-making process, ranging from exchange of information, consultations, decisions and negotiations to more institutionalised forms

¹ B. R. Virmani, *Workers’ participation in Management* (1978) at p. XIV.
such as the presence of workers’ members on management or supervisory boards or even management by workers themselves as practised in Yugoslavia”.²

Workers’ participation can be defined as a principle of ensuring industrial democracy through mutual understanding, faith, trust and co-operation of workers and the managements by establishing an effective communication system for attaining the whole-hearted involvement of each worker in the area of his competence and concern with a view to maximising results in regard to the achievement of the organisational goals and individual well-being.³

Workers’ participation in management is synonymous with co-determination—a term popularly used in West Germany to describe this participation.⁴

**Scope and Ways of Participation**

There are three groups of managerial decisions which have a direct impact on the workers of any industrial establishment. They are:

(a) Social decisions,
(b) Personnel decisions, and
(c) Economic decisions.

Social decisions relate to hours of work, welfare measures, questions affecting work rules and the conduct of individual workers, safety, health, sanitation, noise control etc.

Personnel decisions refer to recruitment and selection, promotions, demotions, transfers, grievance settlement, work distribution and so on.

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⁴ Supra, n. 2.
Economic decisions include financial aspects—the methods of manufacture, automation, shut-down, lay-off, mergers and similar other functions.

Workers must have a say in the decisions on the issues mentioned above. But there is a difference of opinion about the scope and the extent to which workers can participate in social, personnel and economic decisions. "One school of thought is that the workers or the trade unions should, on parity basis, sit with the management as equal partners and take joint managerial decisions on all matters. The other school propounds the view that the workers should only be given an opportunity, through their representatives, to influence managerial decisions at various levels. The first view could lead to the workers' actual participation in the decision-making process of the management, while the second aspect will work out to be consultation of workers in managerial decisions".5

In practice, however, the participation of workers is effected by any or all the methods described below:

PARTICIPATION AT THE BOARD LEVEL

The Board of Directors is the apex body in the administration of a corporate establishment. A representation of workers on the Board would, it is believed, usher in industrial democracy, ensure improved employer-employee relations, and guarantee better productivity. The workers' representative on the Board can play a useful role in safeguarding the interest of workers. "He can serve as a control element and guide to the management in its exercise of personnel and social functions. He can prevail upon the top management not to take measures that would be unpopular with the employees; he can guide the Board members on matters of investment in employee benefit schemes like housing, etc".6

Participation of workers in the top level management is not without its problems. The Board of any enterprise is primarily

5. Supra, n. 1 at p. 4.
6. Id. at p. 10.
concerned with such problems as raising of funds, the utilisation of the resources of the company to its advantage, and ensuring the capital growth of the enterprise. Personell matter (in which the workers' representatives are primarily interested), do not receive equal attention at the Board level. Besides, most of the decisions in which the workers are interested are normally taken at the lower level of management. In the circumstances, the appointment of workers' representatives to the Board does not substantially enhance the role of workers in the management of an industry. Second, communication between the workers' representative and the workers suffers after the former assumes directorship. His viewpoint and thinking are no longer the same and he may not be able to see eye to eye with the workers, as he did in past. He may, therefore, tend to become alienated from the workers; and for this very reason he may be less effective with the other members of the Board in dealing with employee matters. Caught between alienation from the workers and unacceptability by the Board, the worker-director may not be able to play a constructive role. Third, though the worker-director enjoys the status and privileges of the other members of the Board, his culture, education, base, behaviour and manners make him feel inferior to the other members, and he feels suffocated. In such surroundings, his role as a director may not be satisfying for the workers and for the management. Fourth, the nomination of one or two workers' representatives on the Board of management places them in a minority; and the decisions of the Board are arrived at on the basis of the majority vote.  

**Participation Through Ownership**

The shareholders of Companies are the corporate owners. The shareholders are the businessmen, traders, professionals, employees, workers, housewife, minors, institutions, associations, companies, corporations, etc. So workers may become shareholders of the company. This may be done by inducing them to buy equity shares. The management may promote the scheme by allowing the workers to make payments in instalments. It may also advance loans or even give financial assistance to such

7. *Supra, n. 2 at p. 278.*
workers to enable them to buy its equity shares. Participation thorough ownership has the distinct advantage of making the worker committed to the job and to the organisation.

**Participation Through Staff or Works Councils**

Staff councils or works councils are bodies on which the representation is entirely of the employees. There may be one council for the entire organisation or a hierarchy of works councils from the shop floor to the Board level. The members of the councils are elected by the employees of the respective sections. The councils have different functions in the management of an enterprise, ranging from eliciting information on the management's intentions to a full share in decision-making. They are a right step in the direction of industrial democracy.  

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**Participation Through Collective Bargaining**

The principle of collective bargaining "confers on the management and the workers the right, through collective agreements, to lay down certain rules for the formulation and termination of the contract of employment, as well as the conditions of services in an establishment. Such agreements are normally binding on parties and have the force of Law". Collective bargaining can really work well if the bargaining parties, namely, the employers' and workers' representatives, make use of the opportunity for bargaining in the right spirit and for a positive purpose.

**Participation Through Complete Control**

Workers acquire complete control of the management through elected boards. "The system of self-management in Yugoslavia is based on this concept.... It (self-management) gives complete control to workers to manage directly all aspects of industries through their representatives". In the process of self-management workers are more directly involved than the

8. *Id.*, at p. 279.
9. *Supra*, n. 1 at p. 11.
10. *Id.* at pp. 12 and 51.
trade unions. Workers are concerned with the day-to-day affairs of the enterprise while the economic and financial decisions are left to the managements. The director is, informally, in an influential position. Yugoslavian workers do not deny the fact that they have got certain powers of decision-making. But they prefer to be a pressure group rather than decision makers. There is mutual effective communication between the management and the workers which keeps the latter informed of the day-to-day affairs. It prevents the exploitation of workers on the one hand and creates a sense of belonging in them on the other.\textsuperscript{11}

The system of complete control ensures the identification of the workers with their organisation. Industrial disputes disappear when workers develop loyalty to the organisation. But complete control by workers is no answer to the problem of participation because the workers do not evince interest in management decisions.

\textbf{Participation Through Job Enlargement and Job Enrichment}

Job enlargement means expanding the "Job content: allowing employees to inspect their own work, to make minor repairs on the work or equipment, to select their own work methods and even to do 'set-ups' (changing equipment or its adjustment)".\textsuperscript{12} Job enrichment means that "additional motivators are added to the job so that it is more rewarding".\textsuperscript{13}

The purpose of job enlargement and job enrichment is to remove the boredom of the workers which flows from excessive specialisation in mass production industries so that the job itself may be a source of self-satisfaction. Job enlargement and job enrichment also provide for workers' participation because they offer freedom and scope to them to use their judgement. This form of participation provides only limited freedom to a worker concerning the method of performing his job.

11. \textit{Supra}, n. 3 at p. 190
PARTICIPATION THROUGH JOINT COUNCILS AND COMMITTEES

Joint Councils are bodies comprising representatives of employers and employees. The constitution of a Works Committee is a legal requirement under the provisions of the Industrial Disputes Act, 1947. The Committees discuss a wide range of topics connected with the workers' welfare. The functions of these bodies may range from decision-making on some issues to merely advising the management as consultative bodies. So we may say that they only provide a platform to employers and employees to give free vent to their complaints and grievances without making any attempt to find remedies and solutions.

PARTICIPATION THROUGH SUGGESTION SCHEMES

Employees' views on such matters as machine utilisation, waste, safety, etc., are invited and reward is given for the best suggestion. This procedure enables the management to arouse and maintain the employees' interest in the problems of their concern and its management.

UTILITY OF WORKERS' PARTICIPATION

Workers will take greater pride and pleasure in their work if they are allowed to participate in shaping the policies and decisions which affect their work. It brings about higher productivity and increased production. It ensures the growth of the economy through the democratic process. It prevents their exploitation by owners or by top managers. It helps to achieve security of employment, better wages, increased bonus, etc. for the employees. It brings about industrial peace by minimising the chances of industrial disputes.

PARTICIPATION IN INDIA

Article 43-A of the Indian Constitution advocates workers' participation in management. 14

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14. Article 43-A, provides: "The state shall take steps, by suitable legislation or in any other way, to secure the participation of workers in the management of undertakings, establishment or other organisation engaged in any industry".
The Sachar Committee has rightly pointed out that the recognition that workers should be associated in a meaningful way in the running of the organisations in which they are working is in consonance with modern thought throughout the world. About eight countries in western Europe have schemes of one kind or other in operation which secure and make possible representation of the workers on the Boards.

The Government of India took the initiative and introduced a scheme for the appointment of workers’ representatives on the Boards of management of public sector undertakings. As a result, the workers’ representatives were appointed to the Boards of Hindustan Antibiotics Limited, Pimpri, Hindustan Organic Chemicals Limited, Kolaba, Hindustan Machine Tools Limited, Bangalore, and some other Government undertakings and nationalised banks. Recently, in Maharashtra several co-operative factories’ workers have been granted representation on the Board of Directors. “In private sector the TATA, DCM and some others also have workers’ directors on their Board of Directors.”

The Sachar Committee has recommended that to start with companies employing one thousand or more workmen as defined in the Industrial disputes Act 1947 (excluding casual and badli workers), should be required to have representatives of their workmen on their Boards. It was mandatory for every large industrial undertaking to constitute Works Committee comprising of representatives of employers and employees. This requirement should apply both to Government and non-government companies. Companies employing a lesser number of workmen would, however, have the discretion to have such participation at the Board level.

16. The terms of reference to the Sachar Committee expressly required the committee to report, inter alia, on—

(a) measures by which workers’ participation in the share capital and management of Companies could be brought about;
(b) measures by which reorientation of management outlook in the corporate sector could be brought about so as to ensure the discharge of social responsibilities to Companies.
It is possible that the workmen of a particular company may not like the idea of workers' participation at the Board level. The Committee proposal is that every company employing one thousand or more workmen should be required to hold, under the supervision of the Labour Department of the state government concerned and at the expense of the company and in the company's premises, a secret ballot in which all workmen who have been in service of the company for not less than six month should participate. If fifty-one per cent of the eligible workmen of the company vote in favour, the company would be legally bound to provide for 'workers' participation at the Board level and implement the scheme without any avoidable delay.¹⁷

With regard to workers' participation in share capital, the Committee has expressed its inability to suggest any mandatory participation scheme on account of the strongly divergent views held in this regard by business representatives and the labour representatives. 10 to 15 per cent of all new shares issued in future should, however, be reserved exclusively as workers' shares and should be offered to the employees of the company and if they do not subscribe for the shares offered to them, then only these shares should be offered to the existing shareholders or to the public.¹⁸

Instances of workers holding shares in their companies are many. Sixty-one per cent of the shares of Otto India, Calcutta, are held by its employees. Forty per cent of the shares of Sehgal Sanitary Fittings, near Jullundur, have been allotted to workers. It has been found that the concern was doing well and was exporting goods and earning good profits.¹⁹ "A similar experiment has also been made in the Rajasthan Spinning and Weaving Mills Limited. Recently, another private firm in Rourkela, manufacturing heavy machinery, has introduced a scheme known as the Employees' Share Participation Loan Scheme. The Tamil Nadu Government has also introduced a scheme and given upto

¹⁸. For this purpose, Section 81 of the Companies Act, 1956 should be suitably amended.
24 per cent equity capital to the workers in the state-owned Cheran Transport Corporation". 20 It proposed to extend the scheme to other transport corporations and has referred to it as "a progressive step in the real socialist path". 21

SOCIAL RESPONSIBILITIES OF COMPANIES

There has been an explosion of interest in the company's social responsibilities in recent years, and the phrase "being a responsible corporate citizen" has already become a managerial cliche.

The very impact of the corporate sector in terms of finance and employment shows that the well-being of the corporate sector is of considerable significance to society. In the environment of modern economic development, corporate sector no longer functions in isolation. The company must behave and function as a responsible member of society just like any other individual. It cannot shun moral values nor can it ignore actual compulsions. The real need is for some focus of accountability to society at large and not to share-holders alone.

In the modern times, the objective of business has to be the proper utilisation of resources for the benefit of others. Profit is still a necessary part of business though not the primary purpose. This implies that the claims of various interests will have to be balanced not on the narrow ground of what is best for the share-holders alone but from the point of view of what is best for the community at large. The company must accept its obligation to be socially responsible and to work for the larger benefit of the community.

The acceptance of this concept of social responsibility must be reflected in the information and disclosure that the company makes available for the benefit of the various constituents like shareholders, creditors, workers and the community. Openness

20. Supra, n. 15 at p. 291.

in corporate affairs is the first principle in securing responsible behaviour.

No enlightened management can really remain aloof to the national problems such as unemployment, over-population, rural development, environmental protection including conservation of resources, control of pollution and provision for clean drinking water.

Accountability of the public sector to the people through Parliament must find its parallel in the private sector in the form of social accountability which is, in the view of the Committee, a mere extension of the principle of public disclosure to which a corporation must be subject. Every company, apart from being able to justify itself on the test of economic viability, will have to pass the test of a socially responsible entity.

The Committee has recommended that in order to ensure implementation of the concept of social responsibility and dissemination of adequate information in this regard, a provision should be made in the Act that every company, along with the directors’ report, shall also give a social report which will indicate and quantify in as precise and clear terms as possible the various activities relating to the social responsibility aspects which have been carried out by the company in the previous year. It may be mentioned that some companies in European countries and the USA have already started to make a report of their social performance, such as, the impact of the company’s production processes on the physical environment, consumer benefits, employment policy and trading arrangements, community development and work environment, advance in treatment of waste, action to conserve energy, etc.

There are still many who do not agree with the doctrine of social responsibility. Milton Friedman, the distinguished American economist and Nobel Prize-winner, is probably the best known critic of this philosophy of social responsibility, and in a memorable phrase he calls it a "fundamentally subversive doctrine." 22

22. Supra, n. 16 p. 767.
"Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much for their stockholders as possible," he argues, and anything which distracts managers from this is an irresponsible neglect of their overriding duty to shareholders. Spending money on improving the workers' condition or minimising the pollution of the environment 'more than the law dictates' is in effect imposing taxes on the shareholder and acting without proper authority.

This is an extreme statement of the "classical" or "traditionalist" point of view. However, it aptly sums up the anxieties of many serious thinkers about the damage this new doctrine could do to the dynamic role of profits as yardsticks of economic performance and the best means we have of ensuring that society's resources are efficiently deployed.

Since most of the professional managers are looking for empathy with society rather than alienation, it is not surprising that many of them have decided that the time is now ripe for a new interpretation of the duties and responsibilities of the large corporation. It is hoped that if suitable provisions are made in the Companies Act, 1956 on the basis of the recommendations of the Sachar Committee, the hands of the professional managers will be strengthened.

The aforesaid discussion leads to the conclusion that the management of a company's affairs contributes towards its prosperity or doom. The fair and the unfair management speaks for the future of the company. An involvement by those who work for the owners (shareholders) in the management of a company could check mismanagement, fraud, illegal activities and other malpractices. Sachar Committee report has considered this point. The report of the Bullock Committee on Industrial

23. Ibid.
24. Id. at pp. 766-768.
25. Id. at pp. 767-768.
Democracy\textsuperscript{26} has listed seven areas\textsuperscript{27} to be managed by the Board consisting of employees and workers' representatives. These are the important areas where generally the management have committed fraud, oppression or mismanagement. However workers' participation in management does not seem to be as easy as it looks outwardly for the dividing line between company management and industrial relation is rather thin.

The report of the Committee of Inquiry on Industrial Democracy\textsuperscript{28} believed that their twin aims of effective employee participation and efficient management can best be met by introducing employee representatives to present company boards. The role and functions of those boards, however will need clearer definition in the law to ensure that they carry the ultimate responsibility for decisions in important areas of strategic policy.

26. Presented to Parliament by the Secretary of the State for Trade by command of Her Majesty in January 1977. Also known as the Bullock Committee.

27. Bullock Committee Report pp. 77-78. The list is in two parts. The first part is concerned with the relationship between on the one hand the board and the shareholders and on the other, the board and Senior management. These are the functions which cannot be delegated to management, and in respect of which the board will have the exclusive right to submit a resolution for consideration at the shareholder's meeting:

(a) Winding up of the company; (b) changes in the memorandum and articles of association; (c) recommendations to shareholders on the payment of dividends; (d) changes in the capital structure of a company (e.g. as regards the relationship between the board and the shareholders, a reduction or increase in the authorised share capital, as regards the relationship between the board and senior management, the issue of securities on a take over or merger); (e) disposal of a substantial part of the undertaking. The second part of the list is concerned solely with the relationship between the board and senior management. These functions place the responsibility for decisions with the board of directors; (f) the allocation or disposition of resources to the extend not covered in (d) to (e) above (although, of course, here the board may delegate to management); (g) the appointment, removal, control and remuneration of management, whether member of the board or not, in their capacity as executives or employees.

... It is of the greatest importance that employees should be represented on a board with a real opportunity to influence decision-making. A board would not have such influence if final decisions on major questions were taken outside the board by management or if they were taken at board-level but could always be over-ruled by the shareholders meeting.29

SOME SUGGESTIONS FOR SUCCESSFUL PARTICIPATION

i) The representatives of workers should be drawn from among the workers themselves. The participation of outside trade union leaders should be discouraged. This is necessary because the problems and difficulties of the workers are better understood by the workers themselves than by others. The workers, therefore, can put across their point of view to the management with confidence.

ii) The worker director must be a workmen employed by the company and he should be elected by the workmen directly. No workman should be eligible to stand for election unless his candidature is proposed by at least ten workmen of the same company.

iii) Workers' education and training make a significant contribution to the purposive working of participative management. Trade unions and the Government can play a major and meaningful role in organising and conducting training programmes.

iv) The success of participation depends on a suitable participative structure and a change of heart on the part of employers and employees, which may take a long time to develop. To expedite this development, some sort of legislative action is necessary.

v) The feudalistic concept of master and servant is still prevalent among industrial workers, especially in India. Workers have an innate feeling that they are born to serve and not to rule. This type of feeling must be removed from

29. Supra, n. 27 at p. 77.
workers if participative management is to be a successful venture.

vi) Consultative bodies, collective bargaining, suggestion schemes, etc., are a mockery of participative management. To make workers' participation meaningful and purposeful, workers should be associated at all levels of decision-making.

vii) The financial cost of participation should not exceed the values, economic and otherwise, that come from it. Employees cannot spend all their time in participation, to the exclusion of all other work.

viii) A Study team should be sent to the U. K., Sweeden, France, Israel, Belgium, Yugoslavia and West Germany to observe the experience in the working of participative management, for a viable solution.

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