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### Industrial Democracy: an essential part of a Business

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**Abstract:** This paper discusses about the democracy effects in industrial area. It discusses about how the democracy is essential for business enterprises? It improves the relationship between management and employees, which is very important for a successful business. Later in this paper different levels and forms of industrial democracy are also explained.

#### I. Introduction

Democracy means government which is elected by the people, of the people and for the people. This term is also used in the Industry and it is become "Industrial Democracy". The term industrial democracy is a supplement of political democracy in which all citizens are treated as equal and are allowed to participate freely in the affairs of the state directly. In the same way, in industrial democracy, workers are treated as responsible partners of the concern and are permitted to participate in the decision making process through various methods. Industrial Democracy means that the management in industrial units is by the people, of the people and for the people. Here people include all those persons who are engaged with the industrial unit. Industrial democracy involves workers making decisions, sharing responsibility and authority in the workplace. According to Indian company law, Industrial Democracy is generally used as co-determination, following the German word *Mitbestimmung*. In Germany half of the supervisory board of directors is elected by the shareholders, and the other half by the workers.

#### II. Definitions

According to H.A. Clegg, "Just as political democracy is based on the existence of an opposition, industrial democracy is contingent upon the existence of an opposition within the industry to the prevailing power of management ownership."

In the words of Elliott, "Industrial democracy is a process of both industrial and political dimensions involves workers through trade union, claiming rights to have greater role in managerial decisions.

#### ❖ Essentials Features for Industrial Democracy:

Following are the essentials Features for industrial democracy:

- (a) **Involvement of both Employers and Employees:** Both employers and employees should express their ideas and views. There should be no personal benefit for both. The industrial democracy scheme cannot be successful unless the employer and employee should have positive attitude towards each other.
- (b) **Wide Publicity of its benefits:** Employee should know the benefits of their participation with the management in decision making. If they don't know the importance of industrial democracy, they will not express their views freely and will not be able to provide fruitful suggestions.
- (c) **Responsible Trade Union:** Not only the trade unions should be stronger but they should be responsible also. So that they contribute in the success of industrial democracy. Responsible trade union will look for the interest of both the employees and the management to facilitate effective decision making.
- (d) **Free Flow of Communication:** For making the industrial democracy effective, there should be a free flow of information. Because through communication employee's can express their views freely and don't hesitate. This two way communication is necessary for both employees and management.
- (e) **Mutual Trust should be there:** For making industrial democracy a success, there is a need that management and employees should trust each other and also cooperate with each other. If they don't have faith in each other, their relations will be disturbed and industrial democracy will loose its importance.
- (f) **Idea comes from employee's heart:** In industrial democracy, the employees should give the ideas, which come straight from their heart. They should not have to fulfill any legal formality while giving their views. So they should suggest what they feel.
- (g) **Arrangement of Training:** Employees should be properly trained and while their training they should be made clear about the benefits of industrial democracy. Training will also improve their skills and they will provide good suggestions to the management.
- (h) **Decision should be implemented:** For making the industrial democracy a success there is a need to implement the decisions which are suggested by the employees. By this employees will be motivated and also suggest good ideas in future. The delay in implementation of the decisions can adversely affect the morale.

### III. Levels of Employee Participation under Industrial Democracy

The participation of the employees can be done at different levels. It can start from the lowest level and move up to the highest level. The following are the different levels of the employee participation:

- 1) **Informative Level:** This is the lowest level of the employee participation. In this the employees are allowed to obtain the required information from the management and can also present their views to the superior. It is the first level of participation of the employees with the management.
- 2) **Consultative Level:** This is the second step in the employee participation with the management. In this suggestions relating to the welfare of the employees are invited from the employees. But this is not necessary that these suggestions will be implemented or not.
- 3) **Decision Making Level:** This is the highest level of participation of the employees in the management. In this employees are involved in decision-making process relating to different matters in the organisation. So we can say that at this level both the employees and the management take decision with the cooperation with each other.

### IV. Objectives of industrial democracy

The objectives of the industrial democracy are:

1. **To make Worker's Role Important:** The basic objective of industrial democracy is to make employees' role important in an organisation. For successfully attaining the objectives and goals of the organisation, it is essential to make employees' involved in the achievement of goal because without them it is not possible to achieve the goals.
2. **To Increase Productivity:** When employees are involved in the decision making with the management, this motivates them and their morale increases. This leads to increase in their efficiency which brings increase in the level of productivity.
3. **To Satisfy the Needs of the Employees:** Every employee wants to be recognized for his capabilities, so participation in management makes them feel recognized and they will be motivated to perform hard work. And moreover, employees social and esteem needs will also be satisfied.
4. **To Develop Human Personality:** The industrial democracy gives the employees opportunity to express themselves. They express their views freely at various levels. Their hidden talent comes out. Thus they get an opportunity to develop their personality.
5. **To Strengthen the Employee Management Cooperation:** Coordination and cooperation between the employees and management improves the relationship between them. Employees don't feel neglected and when they participate in decision making they feel recognized. And their relations with their superiors also improve.

### V. Importance of Industrial Democracy:

- (a) **Increased Commitment:** When employees are consulted for taking important decisions and also to formulate policies. They express their views and ideas. The employees feel that they are important to the organisation and their commitment also increases.
- (b) **Organisational Peace:** Organisational conflicts occur between the employees and the management and they become opponent of each other. But industrial democracy brings the cooperation between them and they come closer to each other.
- (c) **Growth and Development of Employees:** When employees are allowed to express their views freely, this makes them creative. They also design new methods for performing the work. Therefore, industrial democracy leads to their growth and development.
- (d) **Increase in Mutual Understanding:** In the present scenario the employees and the employers both think each other as their rivals. But industrial democracy bring both the parties on the common platform, they come close to each other and understand each other's problem. This increases their mutual understanding.
- (e) **Acceptance of Change:** Whenever change is introduced, employees are first to resist the change and when the employees are the part of the decision, which introduces the change, they will accept it easily. So in this way resistance to change is reduced through industrial democracy.
- (f) **Increased Production:** As discussed above the industrial democracy will increase the morale and the efficiency of the employees, which will lead to the increase in the production. Further, the organisational peace will also lead to increase in the contribution made by each employee.

### VI. Forms of Industrial Democracy

Following are the forms of industrial democracy:

- 1) **Work Councils:** Work councils are the representatives from both the parties i.e. employees and the employers. They meet regularly and discuss the different problems related to their work. Both the parties present their suggestions and take decisions by jointly participation. The matters which are normally discussed between these representatives are education, accidents, safety, welfare facilities etc. Main objective of the work council is

to develop a spirit of cooperation and partnership among the employee and employer. This concept of work council has not been effective. The reasons behind its failure are due to vagueness about their exact role, power etc. The success of work council is depend upon some factors like responsible management attitude, support from union, exactness regarding the work and increase the scope of work council.

2) **Collective Bargaining:** An individual employee does not have the full knowledge about the appropriate pay rates for his services. So he joins the employee union and the representatives of employee union equally participate with the management in decision making process. So this process is known as collective bargaining. Collective Bargaining is a process in which representatives of employer and employees meet and discuss the agreement that specifies the nature of failure relationships between the two, one of them is the trade unions who representatives of workers and the management which is the representatives of employers.

3) **Co-Ownership:** In this method the ownership rights are provided to the employees. Employees are motivates to purchase the shares, they will get the voting right to elect their directors and will be able to send their representations in the board of directors. Under this scheme workers are made partners in ownership. The main advantage of this scheme is that like shareholders workers become the owners in the organisation and this develop the sense of belongingness in them.

4) **Representation in the Board of Directors:** In this method the representative from the employee is taken in the Board of Directors. He is also named as employee director. But this method is not very much effective. It is because the workers representative would be in minority and his suggestion will have little weight. This creates inferiority feeling among the complex in him and he may be completely suppressed or frustrated.

5) **Joint Management Council:** In this method the joint committee represented by the employees and the management is set up to discuss and give suggestion for improvement with regard to matters of mutual interest. The decision of such committee will be binding on both the parties. The main functions of these councils are divided in three categories:

#### **Advisory Functions**

Organisation's management seeks advice of this council on the following matters:

- Administration and standing orders
- Amendment of standing orders
- Retirement of the employees
- Retrenchment of the employees
- Rationalization
- Stopping the work, reducing the hours etc.

**Informative Functions:** Joint Management Council will obtain the information on the following matters with the management:

- General situation of the industrial organisation
- Sales programme and market situation
- Long term expansion and reconstruction of the company
- Balance sheet and income statements
- Production technique and activities.

Administrative Functions:

- Award distribution to the workers for their valuable suggestions
- Determination of hours of work, leave and holidays
- Professional and apprenticeship training
- Supervision of safety measures
- Administration of welfare activities

6) **Discussions:** In this system managers call the meeting of the employees and share the information with them. He explains the problem to the employees gives information to them and invites suggestions. The employees give their opinion to their problem and decision making authority is not transferred to them.

7) **Suggestions System:** Under this system the employees are encouraged to make suggestions for the improvement. The employees may suggest some new methods of production or new schemes for the particular work. The employee who provides innovative suggestions are provided with monetary and other rewards.

8) **Profit Sharing:** Profit sharing is regarded as the stepping stone to industrial democracy. It is observed, "Profit sharing is an arrangement by which employees receives a share, fixed in advance of the profits". Profit sharing is an agreement freely entered into by which an employee receives a share fixed in advance of the profits. Profit sharing usually involves the determination of an organisations profit at the end of the fiscal year and the distribution of a percentage of the profits to the workers qualified to share in the earnings. The percentage to be shared by the workers is often pre determined at the beginning of the work period and is communicated to the workers so that they have some knowledge of potential gains. To enable the workers to

participate in the profit sharing they are required to work for certain number of years and develop some seniority. The main features of profit sharing scheme are:

- **Voluntary Agreement:** The agreement is voluntary and is based on joint consultation made freely between the employers and the employees.
- **Form of Payment:** The payment may be in the form of cash, stock, of future credits of some amount over and above the normal remuneration that would otherwise be paid to employees in a given situation.
- **Minimum Qualifications:** The employees should have some minimum qualifications such as tenure or satisfy some amount over and above the normal remuneration that would otherwise be paid to employees in a given situation.
- **Employer Discretion:** The agreement on profit sharing having been mutually accepted is binding and there is no room on the part of the employer to exercise discretion in a matter, which is vital to the employees.
- **Computation:** The amount to be distributed among the participants is computed on the basis of some agreed formula, which is to be applied in all circumstances.
- **Dependability:** The amount to be distributed depends upon the profits earned by an enterprise.
- **Advance Determination:** The proportion of the profits to be distributed among the employees is determined in advance.

It should be noted that profit sharing is not a system of wage payment as such it is something else. Profit sharing and bonus are two different things for the former sharing implies sharing on an equal footing rather than yielding on the part of the management to a persistent demand. Profit sharing bonus on the other hand refers to the distribution of profits on the basis of a certain percentage on one monthly wages. Moreover, it is not voluntary and is based on agreement.

## VII. Conclusion

Following are the conclusions for the successful implementation of the industrial democracy:

1. There should be proper communication at all levels of the management and there should not be blockage in the communication between the employers and employees.
2. The employer should adopt a broad, progressive, and democratic attitude. They should be willing to associate with the employees and discuss the problems freely and frankly with them.
3. The employers should be conscious of their obligation towards the employees and the benefits of employee participation. Employers and employees should agree on the objectives of the industry and their mutual rights and obligations.
4. Managers should not treat participation as an imposed liability and employees should not use it for expressing demands only.
5. There should be mutual trust and faith among all the parties. Mere legislation cannot make participation successful. Existence of an atmosphere of trust, faith and confidence and recognition is a must on the part of the employers and the employees.
6. Proper training should be provided to both employers and the employees. Employees and their representatives should be provided training and education in the philosophy and the process of employee participation. They should be taught what is expected from them and how they are expected to perform.
7. Employees should be provided proper knowledge of their participation in the decision making.
8. Participation should be done at all levels. Participation should be a continuous process. To begin with it must start at the operating level.
9. Employer employee relations should be cordial or at least there should not be any tension in their relations. The objectives of participation should be decided mutually.

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