CHAPTER I

INTRODUCTION

Psychological analysis of economic behaviour, as a rule is based on empirical studies initiated and guided by the aims of that analysis. By asking representative sample about what and why of their decisions and actions, and relating these findings to various characteristics of the respondents, quantitative data are collected for the purpose of understanding economic behaviour. Attempts have been made in studying communication between economic groups and in investigating management-employee relation and the factors conducive to increased coherence, morale and productivity in work groups.

The philosophy of management by direction and control, regardless of whether it is hard or soft, has proved inadequate. Only such management which has confidence in its people and is willing to accept them as real partners can succeed.

Gardell (1977) discussed the findings of the study of the human condition in a large-scale highly mechanized industry in Sweden. The most important finding was that at workplaces where production technology and organization restrict the individual's say in his own job performance,

there arises a passive, alienative type of adjustment that stresses the instrumentality of work. This alienative adjustment model makes a poor mechanism for resolving conflicts between the efficiency demanded by the industrial production system and the individual's need for autonomy and the full realization of his capabilities as a resource.

Though the conclusive evidences from many empirical studies like those as mentioned above are of recent origin, the need for workers' participation in decision-making process has been realized since the revolutionary studies conducted at Hawthorne works (Rothelisberger and Dickson, 1939).

Even in the absence of any formally implemented scheme, workers' participation in management decision-making as a pre-requisite for present day industrial democracy has been tacitly accepted. It provides for greater influence of workers over their daily jobs thereby satisfying their need for autonomy and independence.

The aims of participation are so diversified, being sometimes of an ethical nature, conceived of as a means of developing the human personality, sometimes political and social (e.g., industrial democracy), sometimes economic in the sense of making the enterprise more efficient or a combination of those aims, that at times, it contributes

to misunderstanding especially regarding terminology. Even
the almost generally accepted term "workers' participation"
can lead comparativists into error. Whatever the ideologies -
ethical, political, social or economic - they all aim at a
greater influence of labour on management decision-making
(Blanpain, 1977).

An overview given by Bass, Shackleton and Rosenstein
(1979) about participative schemes operating in various
industries in different countries will reveal the industrialists'
awareness in this matter.

At the present time, Sweden, Denmark and Norway lead
the way in shop-floor democracy. The top boards have their
roots in the shop-floor group committees and works councils,
with an elaborate network for sharing of decision-making
discretion as much as possible. Workers often take responsi-
bility for their own inspection and progress control and may be
self-managing from receipt of orders to inspection despatch.

In Britain, in early 1977, some far-reaching proposals
for workers' representatives to sit on the Board of Directors
of companies were put forward by the Government backed
Bullock Committee. As a first step toward evolving a 'positive
partnership' between management and workers it proposes that
companies employing more than five hundred people should be
put under a legal obligation to discuss all 'major proposals'

affecting the workers with their trade union representatives.

The slow pace of industrial democracy in Britain may be due in part to the 'them and us' attitude. It is to be hoped that the white paper will move Britain forward in ways that build on the traditions and patterns of British industry and society. Such a step would act as a 'guarantee and catalyst of effective participation at lower levels'. In 1976, the company encouraged trade union representatives to sit in on management discussions, allowing them to participate in management decisions where they wish. A communication exercise was instituted to inform employees about the company's plans and problems. At plant level, employees have been involved in discussions involving production and health and safety at work, as well as the company's future.

A system of co-determination was set up in German industries under which an enterprise has two boards- a management board and a supervisory board. The supervisory board involves the directors and sets company policy. The management board involves senior management concerned with day-to-day implementation. By June 1978, all companies with more than two thousand employees must have equal representatives on supervisory boards. But it is not without critics. Employers claim that important decisions will be deadlocked. Workers fear that parity will not be achieved since one of

their members must be a senior executive elected by all white-collar workers, who may prove to support the shareholders' interests rather than the employees. It remains to be seen how successful the system turns out to be in practice.

The U.S. experience is different from that of Germany and Britain. Here, participative management and industrial democracy have developed independently despite their general appeal and common objectives. In the U.S., worker participation is associated with the participative style of management due perhaps to the more fertile soil in the U.S. with its traditions of democracy and individualism in contrast to class-conscious Europe. In Europe, worker participation is mainly associated with industrial democracy.

Rubenowitz (1977), in discussing some research results on the impact of member participation in Swedish industrial organization, argued that great expectations have been expressed with the idea that deepened industrial democracy concerning the participation of the employees in policy matters (e.g. planning, goal-setting, personnel matters) as well as more direct participation on the shop-floor, will lead to increased job satisfaction and create guarantees for continued productivity development.

Both in Sweden and in other foreign countries a number of participation systems concerning production, administration,

wage-forms, work environment and personnel matter have been
tested in order to reach the above-mentioned goals. In many
instances, the results have been considered as clearly positive,
while in other cases, the intended effects did not materialise.
It seems plausible that multiple, interdependent factors
affect the results. Among these special attention can be given
to the sanctioned forms for participation, organizational
characteristics, e.g. technology, degree of bureaucratization,
and the attitudes of the management towards participation and
the individual characteristics among the employees (e.g. age,
education level, growth need and hierarchical position).

In India, the idea of workers' participation was
actually supported and encouraged by State Legislation by
incorporating in the Industrial Disputes Act, 1947. It provided
for establishment of Statutory Committees called Works
Committees. Since then, there have been some significant
developments in the matter of implementation of this concept.
There are four distinct stages of participative management
in India: (i) Works Committees, (ii) Joint Management
Councils (1958 - following from the Industrial Policy
Governments' Resolution of 1956 and the Second-Five-Year Plan
recommended for the introduction of this scheme in 1958),
(iii) Workers' Director (A scheme of inducting representatives
of workers as directors on the boards of management of public
sector enterprises was introduced in 1971), and (iv) Shop

Councils and Joint Councils,(In October 1975, the Ministry of Labour announced a scheme for workers' participation in industry at shop floor and plant levels to cover the industrial and mining sectors). On 4th January, 1977, another scheme for workers' participation in management in commercial and service organizations having large-scale public dealings was introduced. The overall objective of participation is to bring about the harmony and teamwork to enable greater production and productivity by setting and reaching higher production targets thereby benefiting both management and labour force by improving physical working conditions and reducing fatigue.

As against all these attempts towards participation, it is well-known that the formal consultative institutions such as the Works Committees and JMCs have hardly found acceptance among managements and employees or fulfilled the objectives for which they were promoted, the Government has confessed the failure.

Das (1964) concludes that workers' participation has failed to make any significant headway in India. He maintains that the socio-economic circumstances in India to-day are not yet conducive to the development of worker participation. Sethi (1978) pointed out that the major difficulties in promoting workers' participation in our

country appear to be fundamental weakness in our industrial
relations system, namely, (a) the mutual acceptability of
the legitimacy of each other's role and (b) mutual perception
of interdependence between the key parties are strikingly
absent. Chowdhury (1978-79) suggested that the essential pre-
requisites of industrial democracy through workers' partici-
pation in management are: (i) appropriate social and
political environment; (ii) participation potential of the
enterprise; (iii) workers' propensity to participate in
management; (iv) managements' attitude towards participation
and (v) trade union's acceptance.

Dey (1975) formulated a framework for improving
Indian industrial relations climate. He outlined the steps
to be taken for development of alternative strategies
regarding (i) trade union policy; (ii) policy in respect of
representative status; (iii) contours of bargaining policy;
(iv) policy regarding conflict resolving mechanisms and (v) policy
regarding work culture.

Regarding the policy framework for work culture, the
action taken by the Government, the Social Scientists and the
Mass Media are:

Action by Government (Executive and Advisory)

In line with the Norwegian and Swedish experience, developing a policy statement on direct work democracy involving shop floor participation in decision-making to which the Government, national trade unions and the association of employers will be a party. Such a policy statement will act as a framework for action by representative trade unions and management.

Action by trade union (Implementation of the policy at the enterprise level)

Action by Social Scientist

In line with the experience of Europe, Australia and other countries where industrial democracy experiments have been successfully launched, action research oriented social scientists will assist unions and managements in initiating participative democracy in the shop floor. Without their active assistance, adhoc measures adopted by unions and managements might very often lead to disputes and dissensions thereby defeating the purpose of workers involvement in the work process.

Action by Mass Media

Reporting of successful experiments so that the country as a whole might come to know the positive action that is being taken in this field.

Raina and Sekhar (1976) concluded that the organized sector in India has long been plagued by such ills as strikes, lock-outs, go-slow movements, low-capacity utilization, low per-capita productivity, etc. The underlying cause for these is the lack of mutual trust between the workers and the employers, the employers and the trade union, and the trade union and the workers. These three segments of an enterprise have in general worked at a cross purpose to each other with no common goals or objectives.

This is exactly where workers participation in management could be of help. It would (i) help the growth of a healthy dialogue between the segments, (ii) build up an element of trust between the segments and (iii) help each segment to take an unbiased look at the other segments point of view.

Given all these benefits why has workers' participation in management not become as successful as it was expected to be? The reasons are: (1) lack of enlightened leadership; (2) illiteracy. Apart from these two, the other reasons for failure are: (1) multiplicity of trade unions and inter-union rivalry, (2) lack of clear understanding as to what does the concept of labour participation in management means, and (3) lack of commitment and disinterestedness on the part of the Indian workers towards their work situations. Again, attitude of the employees, owner-managers, employee-managers

and attitude of trade-unionists are also responsible.

Somani (1975) suggested that a great deal of attitudinal change is necessary both on the part of the establishment and workers to enable them to start unto the journey of participation. Quite clearly, one has to commence with educating the large body of workers in respect of their importance in the economy and to the unit they work with. Elementary matters like quality consciousness, cost reduction, company image, industrially wasteful practices, absenteeism, etc. will have to be seriously discussed with them, to inculcate a larger dose of understanding and responsibility.

Warner (1974) pointed out that participation is not, however, necessarily a good thing in itself. It depends on who participates, where, how and on what terms. If workers are to participate in any social system, they must decide if the terms of reference of the committee structures will allow them to best achieve their goals. Anyway, participation is a necessary but not sufficient condition for industrial democracy.

An important aspect of the problem is the attitude held by the employees. Walker (1970) pointed out: "The critical factor appears to be workers' attitudes towards workers' participation in management since if there is little

interest and pressure for workers' participation among
workers, little difference is made by their having high
capacities or high relative power, or by high acceptance
of workers' participation on the part of management.'"
There are few instances where employees attitudes have been
systematically investigated prior to the introduction of
participative practices. From the outset, schemes have
been introduced in a manner which clearly contradicts the
participative spirit which they supposedly embody. As
Rosenstein (1970) has observed, such schemes have typically
been 'imposed' either by politicians, trade union leaders
or management and have not been specifically designed to
be compatible with the expressed needs of the workforce.
Consequently, lack of support for participation in higher
level decisions may either reflect lack of interest on the
part of employees, or lack of support for particular
schemes which may have failed to provide meaningful
participation. So what is needed now is to provide a
factual basis upon which participative practices may be
founded and the effectiveness of participation is to be
measured from the standpoint of the perception of
employees for whom it is introduced.

In recent years, increasing attention has been
focused upon employee behaviour as a function of the

simultaneous variation of both personal and organizational
factors. Neither individual factors (personality, values,
needs, etc.) nor situational factors (organizational
structure, climate, supervisory practices, etc.) will
separately account for a substantial proportion of the
variance of criteria such as performance or satisfaction.
Thus, if we wish to formulate generalizations about social
behaviour, it is necessary to focus on the multiple
interactions of individual and situational determinants of
behaviour (Sells, 1963; Bass, 1967).

Thus, employee perception towards a particular
object is also the outcome of interaction of both personal
and organizational factors. Likert's interaction -influence
model, for example, assigns central importance to organiza-
tional characteristics as they are perceived by the employee.
In other words, the causal variables (structure, climate,
objectives, supervisory practices, etc.) interact with
personality to produce perceptions and it is only through
these perceptions that the relationship between causal and
end-result variables may be understood (Likert, 1961). This
point of view suggests that the measurement of causal
variables should be made via the perception of the individual
whose behaviour is being studied. The advantage of using
such a procedure is that it taps perceptions that are based
upon experience which is both more extensive and more

involved than perceptions which could be obtained from an outside observer (Forehand and Gilmer, 1964).

There is hardly a study in Indian situation which could explain the effectiveness of an instituted participation programme from the standpoint of the perception of the individual working therein. In the present study, the effectiveness of participation is attempted to be realized from the viewpoint of employees' perception of actual participation. Again, the employees' perception is the result of interaction of individual factor such as work values and organizational climate as perceived by the employees themselves.

The present study thus is concerned with the feasibility of predicting participation effectiveness (1) from a knowledge of the organizational climate in which the employee works and (2) from a knowledge of the individual values which the employee holds concerning work. The focus is upon organizational climate and individual work values as predictors of participation effectiveness. The climate is hypothesized as a primary situational determinant of effectiveness, but the work values of individual employees are hypothesized as moderating the climate-participation effectivenss relationship.

Although the job is designed by allocation of objectives, functions and tasks, the climate in which the job is preferred is a function of the extent to which certain factors exist in

the organization. Organizational climate is the perceived
subjective influences of the formal system, the informal
style of managers and other significant environmental factors
on the attitudes, beliefs, values and motivation of people
in particular organization (Litwin and Stringer, 1968). Thus,
it involves the perceptions which people have of the
organization and their feel for it from the standpoint of
such variables as autonomy, structure, reward, consideration,
warmth and support and openness.

However, in India, the study on organizational climate
has received very little attention. The results of the
investigation done by Ganeshan (1978) showed that deprivation
of need satisfaction lead to negative perception of
organizational climate and vice versa.

Smith and Tannenbaum (1963) while presenting the
report of a comparative analysis of a number of organizations
concluded that substantial control exercised by both leaders
and members appears to be correlate of high organizational
performance because motivations and contributions of rank-and-
file members are utilized, as well as those of the leaders.

French, Israel and Aas (1960) present experimental
data to show that discrepencies between the influence which
members perceive to exist in an organization and that which
they feel should exist (i.e. which they consider 'legitimate')

are related to aspects of worker-management relations and to
member satisfaction. March and Simon (1958) argue that
disagreements between members and leaders regarding organiza-
tional facts and ideals are among the conditions contributing
to inter-group conflict within organizations, and one might
also expect these discrepencies to have some bearing on member
satisfaction and productivity. The discrepency between actual
and ideal is likely to exist in the organization and thus the
employees' perception of organizational climate 'there is' and
'there should be' would very often differ.

In recent years, both organizational characteristics
and employee individual differences are included in a thorough
treatment of work humanization. Likert's (1967) analyses
revealed that workers who were more authoritarian responded
less favourably to participation, while those who had great
'need for independence' reacted more favourably. This study
provided additional evidence that an individual's response to
an act by his supervisor will be conditioned by the individual's
personality, interpersonal skills and expectations.

Thus the subordinate's reaction to the supervisor's
behaviour always depend upon the relationship between (1) the
supervisory act as perceived by the subordinate and (2) the
expectations, values and interpersonal skills of the subordinate.

Although some research exists on the relationship
between specific values (such as work values) to employee job

attitudes, much more investigations probably are necessary
to determine to what extent basic values are reflected in
a person's evaluation of his job or whether this evaluation
in turn influences his perception of organizational
characteristics.

A later trend of research has taken up the study of
work values, i.e. a person's general attitude toward work
rather than his feelings about a specific job (Blood, 1969;
Wallack, Goodale, Wijting and Smith, 1971).

A value system may be viewed as an integral part of
an individual personality structure and as such a partial
product of his social and cultural environment. Accordingly,
one's personal value system is a relatively permanent and
fundamentally conscious component of the individual
psychological make-up which influences his attitudes and
behaviour (Crites, 1961; Rokeach, 1971). As emphasized by
Laszlo (1973), values 'are human expressions of how human
beings relate to the world around them' (p 252).

Kazanas (1978) in an empirical investigation showed
that subjects with intrinsic work values orientations seemed
to be more satisfied with their job and were more productive
than those with extrinsic work value orientations. In
addition, subjects with a broader perception of the meaning

of work were more satisfied with their job than those with
a relatively narrow perception of the meaning of work.

It may thus be assumed that intrinsic - societal -
extrinsic trichotomy of work values moderates the perception
of participation effectiveness. An individual will judge the
effectiveness of a particular participation scheme according
to his own values regarding work as influenced by the culture
and sub-culture with which he is associated.

In the light of the above discussion, it is clear that
mere introduction of a participation scheme is not enough.
There are wide variations in the connotation of the word
'participation' with respect to its scope, extent, and mode.
Therefore, the effectiveness of a particular participative
scheme in operation is to be judged from the viewpoint of
the employees i.e. how far they consider it legitimate. When
they consider it legitimate, then only they would experience
psychological participation, which means one's perception
of the amount of influence he actually has on what goes on
in his department. The employees, on the one hand, judge the
appropriate extent, scope and range of participation from the
viewpoint of their perception of the climate of the organiza-
tion in which they work and their value systems regarding
work on the other.