

# Compensation Planning, Benefits, Objective, Principles

December 6, 2022

**Compensation management** is the practice of the organization that involves giving monetary as well as non-monetary rewards to the employees, in order to compensate for the time they allocate to their job. The use of compensation management is increasing as organizations have started to realize the need for leveraging its human capital in order to gain a competitive edge in the industry. Compensation management involves “maximizing the return on human capital.”

## Benefits:

- One of the most significant benefits associated with compensation management is that it helps the organization achieve employee satisfaction. A happy employee will be more productive, while contributing to the overall profit of the business. This makes employees realize that they are getting equal returns for the time and effort they are dedicating to the organization. The practice of compensation management exerts a positive impact in the employees by influencing them to perform better and increasing their overall efficiency.
- This stabilizes the labor turnover rate as employees get compensated for their work at a competitive market rate. They do not feel the need of leaving the organization. It can then be concluded that compensation management helps increase the loyalty of the employees towards the organization.
- Compensation management is an important aspect of the job evaluation process. It augments the whole process by setting up standards for the company that are realistic as well as achievable, as far as the compensation practices of the organization are concerned.
- It is a practice which helps to improve the relationship of the company with the labor union, as it allows the compliance of different labor laws and acts. If the organization is following the compensation practices same as that of the market, there will be no dispute to settle between them and the labor union.
- It helps the professional growth of employees, as their efficiency increases, when there is a reward present for achieving a certain level of production. This also means that the deserving employees are fairly compensated for the efforts they are putting into their work, thus helping the organization to retain the best talent.
- Compensation Management is the practice that if followed properly, will turn the organization into a hub of talent. This means that more human capital will get attracted to the company, when they will view the compensation package that it will be offering. Also, the organization must keep in mind that monetary rewards are not something that only derives the motivation of the workforce. The overall compensation package must also include the non-monetary rewards, where the employees should be appreciated for the effort they are putting in their work. Therefore, the organization must ensure that its compensation package is based on monetary as well as non-monetary rewards.

## **Objectives:**

### **1. To Attract Top Talent**

Rai University states that one of the primary goals of compensation should be to recruit qualified talent. When you have a competitive compensation plan in place, you'll be better able to attract top industry talent.

### **2. To Retain & Reward Personnel**

Don't lose your top talent to your competitors because employees believe that the grass will be greener elsewhere. Find out market values for your employees and pay accordingly. You can also set up pay-for-performance models to drive performance by encouraging associates to reach new goals and push farther.

### **3. To Boost Motivation**

When structured effectively, your compensation plan can drive motivation across your teams. Employees who know that they're being fairly compensated for their work feel appreciated and are therefore more likely to stay engaged, committed, and productive.

### **4. To Be Compliant**

Compensation isn't just about being fair within the industry; it must also comply with federal regulations, such as the Fair Labor Standards Act. While adhering to standards can complicate your compensation management, it will help protect your company against litigation and ensure fairness across the board for your personnel.

### **5. To Maximize ROI**

It requires some fine tuning, but compensation management is most effective when you get the biggest bang for your buck. In other words, if you can create a compensation plan that stays within budget while also driving productivity through pay-for-performance and other motivational tactics, you're creating a plan that's both equitable for the company and advantageous for hardworking employees.

## **Principles**

**(i)** There should be definite plan to ensure that differences in pay for jobs are based upon variations in job requirements, such as skill, effort, responsibility, working conditions, mental and physical requirements.

**(ii)** The general level of wages and salaries should be reasonably in line with that prevailing in the labour market. The labour market criterion is most commonly used.

**(iii)** The plan should carefully distinguish between jobs and employees. A job carries a certain wage rate, and a person is assigned to fill it at that rate. Exceptions sometimes occur in very high level jobs in which the job holder may make the job large or small, depending upon his ability and contribution.

**(iv)** Equal pay for equal work, i.e., if two jobs have equal difficulty requirements, the pay should be the same, regardless of who fills them.

**(v)** An equitable practice should be adopted for the recognition of individual differences in ability and contribution.

**(vi)** There should be a clearly established procedure for hearing and adjusting wage complaints. This may be integrated with the regular grievance procedure, if it exists.

**(vii)** The employees and the trade union should be informed about the procedure used to establish wage rates. Every employee should be informed of his own position, and of the wage and salary structure. Secrecy in wage matters should not be used as a cover up for haphazard and unreasonable wage programme.

**(viii)** The wage should be sufficient to ensure for the worker and his family reasonable standard of living. Workers should receive a guaranteed minimum wage to protect them against conditions beyond their control.

**(ix)** The wage and salary structure should be flexible so that changing conditions can be easily met.

**(x)** Prompt and correct payments of the dues of the employees must be ensured and arrears of payment should not accumulate.

**(xi)** For revision of wages, a wage committee should always be preferred to the individual judgement.

**(xii)** The wage and salary payment must fulfill a wide variety of human needs, including the need for self-actualization. It has been recognized that money is the only form of incentive which is wholly negotiable, appealing to the widest possible range of seekers. Monetary payment often acts as motivation and satisfies interdependently of other job factors.

# Theories underlying Motivation and Remuneration

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The compensation an employee receives in return of his or her contribution to the organization.

Remuneration is the reward for employment in the form of pay, salary, or wage, including allowances, benefits (such as company car, medical plan, pension plan), bonuses, cash incentives, and monetary value of the non cash incentives.

**Components of Remuneration:** An average employee in the organized sector is entitled to several benefits such as salary and wages, incentives, fringe benefits etc. following are the major components of remuneration:

**Wages and Salary:** Wages represent the hourly rates of pay whereas salary represents the monthly rates of pay regardless number of hours put in by an employee.

**Incentives:** incentives are basically “payment by results”. Incentives depend on productivity, sales, profits or cost reduction efforts. There are two types of incentives schemes:

**Individual Incentive Scheme:** Applicable to specific employee performance.

**Group Incentive Scheme:** It is applicable where a given task demands group efforts for completion.

**Fringe Benefits:** It includes PF, gratuity, medical care, hospitalization, accident relief, health & group insurance, canteen, uniform and recreation etc.

**Prerequisites:** These are allowed to executives and include company car, club membership, paid holidays, furnished house, stock option schemes etc.

**Non Monetary Benefits:** These include challenging job responsibilities, growth prospect, competent supervision, comfortable working conditions etc.

Theories of Remuneration: In order to understand which components of remuneration are more effective, we can look at theories of remuneration-

## Reinforcement & Expectancy Theory

**Reinforce theory** suggests that behavior which has a rewarding experience is likely to be repeated. Implication of remuneration in this theory is that high employee performance followed by a will make future employee performance more likely.

**Expectancy theory** is link between rewards and behavior. According to this theory, motivation is product of valance, instrumentality and expectancy. Remuneration system differs according to their impact on these motivation components. Pay system differ most

in their impact on instrumentality-the perceived link between behavior and pay. Valence of pay outcomes remains the same under different pay system. Expectancy perceptions often have more to do with job design and training than pay system.

**Equity Theory:** Equity theory emphasis in pay structure of employee remuneration. It suggests that an employee who perceives inequity in his or her rewards seeks to restore equity. When employee perceives inequity it can result in lower productivity, higher absenteeism or increase in turnover.

Remuneration system needs to meet three types of equity which directly impact motivation, commitment and performance:

**Internal Equity:** Perceived fairness of pay differentials among different jobs with organization.

**External Equity:** Employees' perception of fairness of remuneration relative to those outside organization.

**Individual Equity:** Employees' perception of pay differentials among individuals who hold identical job in the same organization.

**Agency Theory:** Focuses on the divergent interests and goals of the organization's stakeholders and the way that employee remuneration can be used to align these interests and goals. This theory talks about two important stakeholder i.e. employer and employee. Employer plays a role of principal whereas employee plays a role of agent. Remuneration paid to employee (agent) is called agency cost. Agent wants high agency cost whereas principals want to minimize it.

Agency theory says that principal must choose a contracting schemes that helps align the interest of agent with the principal's own interest.

# Developing Pay Structures

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The pay structure or salary structure defines the compensation given to the employees. It shows the breakup of the salary into various components. Based on various criteria such as the professional experience or employees, or grades or bands the employees are categorized under, different pay structures may be defined in an organization. One pay structure may be applicable to multiple bands or grades and one band or grade may have multiple pay structures.

Pay structures offer a framework for wage progression and can help encourage appropriate behaviours and performance, while pay progression describes how employees are able to increase their pay within their salary grade or band.

Pay structures can be distinguished by two key characteristics: the number of grades, levels or bands; and the width or span of each grade. For example:

**Narrow-graded** pay structures, often found in the public sector, typically comprise ten or more grades, with jobs of broadly equivalent worth in each grade. Progression is by service increments, although due to narrow grades employees can reach the top of the pay range relatively quickly, potentially leading to 'grade drift' and jobs ranked more highly than justified

**Broad-graded** structures have fewer grades, perhaps six to nine, and greater scope for progression that can counter 'grade drift' problems

**Broad-banding** involves the use of an even smaller number of pay bands (four or five). Designed to allow for greater pay flexibility, typical broad-banding would place no limits on pay progression within each band, although some employers have introduced a greater degree of structure

**Job families** group jobs within similar functions or occupations, with separate pay structures for different 'families' (e.g. sales or IT staff). With around six to eight levels, similar to broad-grading, job family structures allows for higher rates of pay for sought-after specialist staff

**Career families** extend the metaphor with a common pay structure across all 'job families' rather than separate pay structures for each family. Career families tend to emphasise career paths and progression rather than the greater focus on pay of job families.

## Basic Pay

This is the core of salary, and many other components may be calculated based on this amount. It usually depends on one's grade within the company's salary is a fixed part of one's compensation structure. Many allowances and deductions are described in terms of percentage of the Basic Salary.

Basic salary is the base income of an individual. Basic salary is the amount paid to employees before any reductions or increases due to overtime or bonus, allowances (internet usage for those who work from home or communication allowance). Basic salary is a fixed amount paid to employees by their employers in return for the work performed or performance of professional duties by the former. Base salary, therefore, does not include bonuses, benefits or any other compensation from employers. As the name suggests, basic salary is the core of the salary of an employee. It is a fixed part of the compensation structure of an employee and generally depends on her or her designation. If the appointment of an employee is made on a pay scale, the basic salary may increase every year. Else, it remains fixed.

According to experts, the basic salary differs according to the type of the industry. For instance, employees in the information technology industry prefer take-home salary (since the staff turnover is high) while employees in the manufacturing companies get more fringe benefits.

### **DA (Dearness Allowance)**

The Dearness Allowance (DA) is a cost of living adjustment to allowance. It is calculated as a percentage of (Basic pay + grade pay). Dearness allowance is updated every quarter of calendar year to compensate for inflation in consumer price index. It may increase or decrease depending on inflation rate. (Decrease in DA is rare).

### **House Rent Allowance (HRA)**

House Rent Allowance (HRA) is a common component of their salary structure. Although it is a part of your salary, HRA, unlike basic salary, is not fully taxable. Subject to certain conditions, a part of HRA is exempted under Section 10 (13A) of the Income-tax Act, 1961.

The amount of HRA exemption is deductible from the total income before arriving at a taxable income. This helps the employee to save tax. But do keep in mind that the HRA received from your employer, is fully taxable if an employee is living in his own house or if he does not pay any rent.

### **HRA Benefit**

The tax benefit is available only to a salaried individual who has the HRA component as part of his salary structure and is staying in a rented accommodation. Self-employed professionals cannot avail the deduction.

### **Gross Pay**

Gross pay for an employee is the amount used to calculate that employees' wages (for an hourly employee) or salary (for a salaried employee). It is the total amount you as the employer owe the employee for work during one pay period. Gross pay includes regular

hourly or salaried pay and it also includes any overtime paid to the employee during the pay period.

For both salaried and hourly employees, the calculation is based on an agreed-upon amount of gross pay. That is, both the employee and employer have agreed that this is the pay rate. The pay rate should be in writing and signed by both the employee and employer.

For hourly employees, that pay rate might be negotiated by a union contract. For salaried employees, that rate might be in an employment contract or just a pay letter. In each case, the gross pay rate should be agreed to and signed before the employee begins working.

### **An example of gross pay calculation for a salaried employee:**

A salaried employee has an annual salary of \$47,000 a year. The salaried employees at this company are paid on the 15th and 30th of each month (twice a month). The \$47,000 is divided by 24 to get \$1958.33, which is the gross pay for each pay period.

### **Take Home Pay**

Take-home pay is the net amount of income received after the deduction of taxes, benefits, and voluntary contributions from a paycheck. It is the difference between the gross income less all deductions. Deductions include federal, state and local income tax, Social Security and Medicare contributions, retirement account contributions, and medical, dental and other insurance premiums. The net amount or take-home pay is what the employee receives.

# Principles of Wage and Salary Administration

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The main objective of wage and salary administration is to establish and maintain an equitable wage and salary system. This is so because only a properly developed compensation system enables an employer to attract, obtain, retain and motivate people of required calibre and qualification in his/her organisation. These objectives can be seen in more orderly manner from the point of view of the organisation, its individual employees and collectively. There are outlined and discussed subsequently:

## **Organisational Objectives:**

The compensation system should be duly aligned with the organisational need and should also be flexible enough to modification in response to change.

## **Objectives of system should be to:**

1. Enable an organisation to have the quantity and quality of staff it requires.
2. Retain the employees in the organisation.
3. Motivate employees for good performance for further improvement in performance.
4. Maintain equity and fairness in compensation for similar jobs.
5. Achieve flexibility in the system to accommodate organisational changes as and when these take place.
6. Make the system cost-effective.

## **Individual Objectives:**

**From individual employee's point of view, the compensation system should have the following objectives:**

1. Ensures a fair compensation.
2. Provides compensation according to employee's worth.
3. Avoids the chances of favouritism from creeping in when wage rates are assigned.
4. Enhances employee morale and motivation.

## **Collective Objectives:**

**These objectives include:**

1. Compensation in ahead of inflation.
2. Matching with market rates.
3. Increase in compensation reflecting increase in the prosperity of the company.
4. Compensation system free from management discretion.

**Beach has listed the five objectives of wage and salary administration:**

1. To recruit persons for a firm

2. To control pay-rolls
3. To satisfy people, reduce the incidence of turnover, grievances, and frictions.
4. To motivate people to perform better
5. To maintain a good public image.

### **Principles of wage and salary administration:**

#### **The main principles that govern wage and salary fixation are three:**

1. External Equity
2. Internal Equity
3. Individual Worth.

#### **1. External Equity:**

This principle acknowledges that factors/variables external to organisation influence levels of compensation in an organisation. These variables are such as demand and supply of labour, the market rate, etc. If these variables are not kept into consideration while fixing wage and salary levels, these may be insufficient to attract and retain employees in the organisation. The principles of external equity ensure that jobs are fairly compensated in comparison to similar jobs in the labour market.

#### **2. Internal Equity:**

Organisations have various jobs which are relative in value term. In other words, the values of various jobs in an organisation are comparative. Within your own Department, pay levels of the teachers (Professor, Reader, and Lecturer) are different as per the perceived or real differences between the values of jobs they perform.

This relative worth of jobs is ascertained by job evaluation. Thus, an ideal compensation system should establish and maintain appropriate differentials based on relative values of jobs. In other words, the compensation system should ensure that more difficult jobs should be paid more.

#### **3. Individual Worth:**

According to this principle, an individual should be paid as per his/her performance. Thus, the compensation system, as far as possible, enables the individual to be rewarded according to his contribution to organisation.

Alternatively speaking, this principle ensures that each individual's pay is fair in comparison to others doing the same/similar jobs, i.e., 'equal pay for equal work'. In sum and substance, a sound compensation system should encompass factors like adequacy of wages, social balance, supply and demand, fair comparison, equal pay for equal work and work measurement.

# Current Trends in Salary Administration

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**Automated Payroll will be entirely GDPR-friendly:** Payroll automation is founded on the idea that employee data is seamlessly available across locations and interfaces. The GDPR went into effect in the middle of last year; any new payroll management solution being introduced to the market will now be GDPR-compliant.

**Payroll will be Audit-ready from Day One:** Instead of scrambling at quarter-end or year-end to collate and reconcile payroll information, employers will adopt automated report generation that allows electronic submission, without any complex bureaucratic formalities.

**Gig Workers will enter your Payroll:** The distinction between pay rolled employees and third-party workers will start to fade as companies increasingly rely on gig workers. This goes beyond blue collar jobs, encompassing high-value projects led by experienced consultants and the enlightened 'digital nomad'.

**Bots will Guide Query Resolution:** Employees running from one department to the other, trying to get queries answered from HR, finance, or even accounts, is a familiar picture to us all. In 2021 AI-based chatbots (deployed as standalone apps or part of a larger employee service suite) will be a common answer to this problem.

**Manual Payroll will Finally become Obsolete:** With payroll automation finally becoming extremely cost-effective as well as easy-to-deploy, a larger number of small businesses will abandon manual, paper-driven processes. This will be driven by increasing familiarity with tech and a boom in the payroll solutions market.

**Weekly or Monthly payroll won't be the Only Way:** Some solutions have already started rolling out flexible payroll systems that align wages to a specific date every month or even support one-time payments as part of a company's regularized disbursement cycle. Interestingly, this is perfectly in-line with gig worker requirements.

"Payroll companies like Gusto are increasingly offering alternatives to bi-weekly or monthly pay periods. For example, Gusto recently launched Flexible Pay, which allows employees on-demand access to funds without having to wait until payday, for little or no cost," said Rick Chen, Communications Lead at [Gusto](#).

**Unbanked Employees will be Welcomed:** Contrary to popular belief, a huge portion of the global population remains unbanked, even in developed economies. Platforms like Gusto will help bring this workforce segment into the payroll management ambit, easing access to the salaries they have rightfully earned.

**Disbursement will be Instantaneous:** Taking off from the widespread popularity of mobile payment applications, payroll management will also explore instant payment options, so that workers do not have to wait for a certain period after their shift/project/seasonal tenure

with a company has ended.

**Financial Wellness will be Part of the Package:** By advocating the need for financial wellness, employers can make sure their workforce is equipped to maintain a certain quality of life and correctly utilize their allocated wages. In 2019, financial wellness benefits will be a way to drive employee satisfaction without constant pay hikes.

**Pay Transparency will be the Norm Everywhere:** From ensuring that salary and wage levels are kept private, progressive employers will look at sharing salary levels publicly from white-collar ranks to part-time workers. This will go a long way in reinforcing employer brand, communicating the values of fair pay and equality.

# Theories of Industrial Relations

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According to Encyclopaedia Britannica, “The concept of industrial relations has been extended to denote the relations of the state with employers, workers and their organisations. The subject, therefore, includes individual relations and joint consultation between employers and work people at their work place; collective relations between employers and their organisations and trade unions and the part played by the state in regulating these relations.”

Before the evolution of the concept of “**industrial relations**”, two concepts, namely “**Personnel administration**” or “personnel management” and “labour relations”, were widely prevalent in industrial organisations. The term “personnel administration” laid emphasis on management’s relationships with a focus on individual employees.

The main areas of its operation comprised the following – recruitment and selection, remuneration, working conditions, promotions and transfers, termination of service and welfare amenities at the place of work. The relationships between the management and organised “labour relations” represented by unions came under the arena of “labour relations”.

The main areas covered under “labour relations” comprised the following – union recognition, collective bargaining, labour contract, industrial disputes, work-stoppages, day- to-day relationships with union representatives and governmental intervention regulating such relationships. In many organisations, “industrial relations” combined the activities and coverage of both “personnel administration” and “labour relations.”

Whatever might have been the differences in organisational arrangements, all the terms have come into usage even to date. At present, “industrial relations” is considered synonymous to “labour relations”, implying the relationships of the management with the organised labour or unions combined with governmental measures in regard to the regulation of such relationships.

Thus, “**industrial relations**” may be conceived of as “employees/union(s)-employers(s)/management-government relationships in industrial employment.” Some of major areas under its coverage include the following – union recognition, day-to-day dealing with union representatives, collective bargaining and collective agreements, industrial disputes and strikes, grievance settlement and union’s participation in joint bodies.

## **Growth of Some Other Related Concepts:**

In recent years, certain new concepts have emerged in regard to the relationships of management with employees, whether as individuals or with their organisations, and also in the approaches related to managing manpower; these are employee relations, employment relations and human resource management.

One of the main reasons behind the adoption of the term “employee relations” or “employment relations” has been increasing the importance of non-industrial employment relationships in many areas of economic activities.

As management-employees relationships have come to exist in several non-industrial employments such as business, trade and commerce, insurance and other service sectors, the use of the term “human resource management” combining in itself, the functions of “personnel administration” and “labour or industrial relations” appears to be more appropriate and comprehensive.

The term “employee relations”, which also comes within the arena of human resource management as in practice now, refers to the relationships of the management with individual employees.

The ILO has used the term “employment relationship” in a wider perspective, stating that it exists “when a person performs work or services under certain conditions in return for remuneration.” The ILO also adopted Employment Relationship Recommendation No. 198 in 2006, which inter alia provides guidelines pertaining to formulation and application of a national policy on the subject, determination of such a relationship and the establishment of an appropriate mechanism.

Whatever the differences in the pattern of organisational arrangements for managing work-people, whether present or prospective, there is common acceptance of the assertion that “industrial relations” involve relationships between management and organised workforce along with the government agencies influencing such relationships.

### **Features pertaining to industrial relations:**

#### **1. Employment Relationship Essential:**

Industrial relations do not emerge in vacuum; they are born out of “employment relationship” in an industrial setting. Without the existence of two parties, i.e., labour and management, this relationship cannot exist. It is the industry which provides the environment for industrial relations.

#### **2. Conflict and Cooperation Characterise Industrial Relations:**

Industrial relations are characterised by both conflict and cooperation. This is the basis of adverse relationship. So the focus of industrial relations is on the study of the attitudes, relationships, practices and procedures developed by the contending parties to resolve or at least minimise conflicts.

#### **3. The Scope of ‘Industrial Relations’ Fairly Large and Covers Lot of Ground:**

As the labour and management do not operate in isolation but are part of a larger system, so the study of industrial relations also includes vital environmental issues like technology of the workplace, country’s socio-economic and political environment, nation’s labour

policy, attitude of trade unions, workers and employers and impact of the new wave of global markets, global supply demand and economy.

#### **4. Measures for Healthy Labour Management Cooperation Put to Close Examination:**

Industrial relations also involve the study of conditions conducive to the labour, management cooperation as well as the practices and procedures required to elicit the desired cooperation from both the parties.

#### **5. The Legalistic Part of Industrial Relations Need to be Examined Closely:**

Industrial relations also study the laws, rules, regulations, agreements, awards of court, customs and traditions, as well as policy framework laid down by the government for eliciting cooperation between labour and management and defining rights obligation of both the parties. Besides this, it makes an in-depth analysis of the interference patterns of the executive and judiciary in the regulation of labour-management relations.

#### **6. All Encompassing Examination of Multifarious Issues Affecting Labour-Management Relations:**

The concept of industrial relations is very broad-based, drawing heavily from a variety of disciplines like social sciences, humanities, behavioural sciences, laws etc.

#### **7. The National Commission on Labour:**

According to NCL, industrial relations affect not merely the interests of the two participants labour and management, but also the economic and social goals to which the State addresses itself. To regulate these relations in socially desirable channels is a function, which the State is in the best position to perform. In fact, industrial relation encompasses all such factors that influence behaviour of people at work.

#### **Important factors:**

##### **(i) Institutions:**

They include government, employers, trade unions, union federations, employers' federations or associations, government bodies, labour courts, tribunals and other organisations which have direct or indirect impact on the industrial relations system.

##### **(ii) Characters:**

It aims to study the role of workers, unions and employers' federation officials, shop stewards, industrial relations officers / manager, mediator / conciliators / arbitrator, judges of labour court, tribunal, etc.

##### **(iii) Methods:**

Here, the focus is on collective bargaining, workers' participation in the industrial relation schemes, discipline, procedure, grievance redressal machinery, dispute settlement machinery, working of closed shops, union recognition, organisation of protests through methods like strikes, gheraos, bandhs and lockouts, formulation and revision of existing rules, regulations, policies, procedures, decisions of labour courts, tribunals, etc. in defining the rights and obligations of the parties.

**(iv) Contents:**

They include matter pertaining to employment conditions like pay and other monetary non-monetary demands of the workers hours of work, leave with wages, health, and safety disciplinary actions, lay-off, dismissals, retirement etc., laws relating to such activities, legislation governing labour welfare, social security, industrial relations, issues concerned with workers' participation in management, collective bargaining, sharing gains of productivity profits.

**Important Approaches: Unitary Approach, Pluralistic Approach Marxist Approach**

Industrial relations has become one of the most delicate and complex problems of modern industrial society. Industrial progress is impossible without labour management. So that, it is the interest of all to create and maintain good relations between employers and employees. Generally, industrial relations means the relationships between employers and employees in industrial organisations.

But, in the broad sense, the term industrial relations includes the relations between the various unions between the state and the unions as well as those between the employers and the government. Relations of all these associated in industry may be called industrial relations. It also involve the study of how people get on together at their work, what difficulties arise between them, how relations among them are regulated and what organisations are set up to protect different interest.

According to Encyclopaedia Britannica, "The concept of industrial relations has been extended to denote the relations of the state with employers, workers and their organizations. The subject, therefore, includes individual relations and joint consultations between employers and work people at their workplace, collective relations between employers and their organizations and trade unions and the part played by the state in regulating these relations."

**There are three approaches:**

- (i) Unitary Approach
- (ii) Pluralistic approach
- (iii) Marxist Approach.

**1. Unitary:**

Under this approach, mutual cooperation, team spirit and shared goals play a significant role. Any conflict is seen as a result of a temporary aberration resulting from poor management. Direct negotiation with workers is encouraged. This approach is criticised as a tool for seducing workers away from unionism/socialism. It is also criticised as manipulation and exploitation.

## **2. Pluralistic:**

This approach perceives organisation as a coalition of competing interest between management and different groups, trade unions as legitimate representative of employee's interests and stability in Industrial Relation as the product of concessions and compromises between management and workers. Unions, therefore balance the power between management and employees. Therefore, strong unions are desirable and necessary.

## **3. Marxist:**

This approach also regards conflict between employers and employees inevitable. Marxists consider conflict as a product of the capitalistic society – the gap between “Haves and Have Not's”. Trade Unions focus on improving the position of workers but workers' participation in management, cooperative work culture etc., are not acceptable to the Marxists.

# Collective Bargaining, Importance, Principles, Advantages, Disadvantages

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Industrial disputes between the employee and employer can also be settled by discussion and negotiation between these two parties in order to arrive at a decision.

This is also commonly known as collective bargaining as both the parties eventually agree to follow a decision that they arrive at after a lot of negotiation and discussion.

According to Beach, "Collective Bargaining is concerned with the relations between unions representing employees and employers (or their representatives).

It involves the process of union organization of employees, negotiations administration and interpretation of collective agreements concerning wages, hours of work and other conditions of employees arguing in concerted economic actions dispute settlement procedures".

According to Flippo, "Collective Bargaining is a process in which the representatives of a labor organization and the representatives of business organization meet and attempt to negotiate a contract or agreement, which specifies the nature of employee-employer union relationship".

"Collective Bargaining is a mode of fixing the terms of employment by means of bargaining between organized body of employees and an employer or association of employees acting usually through authorized agents. The essence of Collective Bargaining is bargaining between interested parties and not from outside parties".

According to an ILO Manual in 1960, the Collective Bargaining is defined as:

"Negotiations about working conditions and terms of employment between an employer, a group of employees or one or more employers organization on the other, with a view to reaching an agreement."

It is also asserted that "the terms of agreement serve as a code defining the rights and obligations of each party in their employment relations with one another, if fixes large number of detailed conditions of employees and during its validity none of the matters it deals with, internal circumstances give grounds for a dispute counseling and individual workers".

## **Collective Bargaining Involves:**

(i) Negotiations

(ii) Drafting

(iii) Administration

(iv) Interpretation of documents written by employers, employees and the union representatives

(v) Organizational Trade Unions with open mind.

### **Forms of Collective Bargaining:**

The working of collective bargaining assumes various forms. In the first place, bargaining may be between the single employer and the single union, this is known as single plant bargaining. This form prevails in the United States as well as in India.

Secondly, the bargaining may be between a single firm having several plants and workers employed in all those plants. This form is called multiple plants bargaining where workers bargain with the common employer through different unions.

Thirdly, instead of a separate union bargaining with separate employer, all the unions belonging to the same industry bargain through their federation with the employer's federation of that industry. This is known as multiple employer bargaining which is possible both at the local and regional levels. Instances in India of this industry wide bargaining are found in the textile industry.

The common malady of union rivalry, small firms and existence of several political parties has given rise to a small unit of collective bargaining. It has produced higher labour cost, lack of appreciation, absence of sympathy and economic inefficiency in the realm of industrial relationships. An industry-wide bargaining can be favourable to the economic and social interests of both the employers and employees.

### **Essential Pre-Requisites for Collective Bargaining:**

(i) Existence of a strong representative trade union in the industry that believes in constitutional means for settling the disputes.

(ii) Existence of a fact-finding approach and willingness to use new methods and tools for the solution of industrial problems. The negotiation should be based on facts and figures and both the parties should adopt constructive approach.

(iii) Existence of strong and enlightened management which can integrate the different parties, i.e., employees, owners, consumers and society or Government.

(iv) Agreement on basic objectives of the organisation between the employer and the employees and on mutual rights and liabilities should be there.

(v) In order that collective bargaining functions properly, unfair labour practices must be avoided by both the parties.

(vi) Proper records for the problem should be maintained.

(vii) Collective bargaining should be best conducted at plant level. It means if there are more than one plant of the firm, the local management should be delegated proper authority to negotiate with the local trade union.

(viii) There must be change in the attitude of employers and employees. They should realise that differences can be resolved peacefully on negotiating table without the assistance of third party.

(ix) No party should take rigid attitude. They should enter into negotiation with a view to reaching an agreement.

(x) When agreement is reached after negotiations, it must be in writing incorporating all term of the contract.

### **Characterstics of Collective Bargaining:**

#### **It is a Group Action:**

Collective bargaining is a group action as opposed to individual action. Both the parties of settlement are represented by their groups. Employer is represented by its delegates and, on the other side; employees are represented by their trade union.

#### **It is a Continuous Process:**

Collective bargaining is a continuous process and does not end with one agreement. It provides a mechanism for continuing and organised relationship between management and trade union. It is a process that goes on for 365 days of the year.

#### **It is a Bipartite Process:**

Collective bargaining is a two-party process. Both the party's employers and employees collectively take some action. There is no intervention of any third party. It is mutual give-and-take rather than take-it-or-leave-it method of arriving at the settlement of a dispute.

#### **It is a Process:**

Collective bargaining is a process in the sense that it consists of a number of steps. The starting point is the presentation of charter of demands by the workers and the last step is the reaching of an agreement, or a contract which would serve as the basic law governing labour-management relations over a period of time in an enterprise.

#### **It is Flexible and Mobile and not Fixed or Static:**

It has fluidity. There is no hard and fast rule for reaching an agreement. There is ample scope for compromise. A spirit of give-and-take works unless final agreement acceptable to both the parties is reached.

#### **It is Industrial Democracy at Work:**

Collective bargaining is based on the principle of industrial democracy where the labour union represents the workers in negotiations with the employer or employers. Industrial democracy is the government of labour with the consent of the governed the workers. The principle of arbitrary unilateralism has given way to that of self-government in industry. Actually, collective bargaining is not a mere signing of an agreement granting seniority, vacations and wage increase, by sitting around a table.

### **It is Dynamic:**

It is relatively a new concept, and is growing, expanding and changing. In the past, it used to be emotional, turbulent and sentimental, but now it is scientific, factual and systematic.

### **It is a Complementary and not a Competitive Process:**

Collective bargaining is not a competitive process i.e., labour and management do not coopt while negotiating for the same object. It is essentially a complementary process i.e., each party needs something which the other party has, namely, labour can put greater productive effort and management has the capacity to pay for that effort and to organise and guide it for achieving the enterprise's objectives.

The behavioural scientists have made a good distinction between "distributive bargaining" and "integrative bargaining". The former is the process of dividing up the cake which represents what has been produced by the joint efforts of management and labour.

In this process, if one party wins something, the other party, to continue the metaphor of the cake, has a relatively smaller size of the cake. So it is a win-lose' relationship. The integrative bargaining, on the other hand, is the process where both the parties can win each party contributing something for the benefit of the other party.

### **It is an Art:**

Collective bargaining is an art, an advanced form of human relations.

## **Levels of Collective Bargaining**

### **At the National Level:**

At the national level the bargaining is mutual and agreements usually take the form of 'bipartite agreements' entered into between labour union and managements in the presence of the government representatives. The agreement entered into between Indian Tea Association, Indian Tea Planters Association and Hind Mazdoor Sabha (HMS) and INTUC is an example of collective bargaining at the national level.

### **At the Industry Level:**

Here all unions of an industry enter into an agreement with the employers in general. In India, collective bargaining of this type is very popular in textile industry where agreements are reached between labour unions and the various management bodies.

## **At Plant Level:**

Such a bargaining is limited to a particular unit or undertaking enterprise only.

## **Principles of Collective Bargaining**

### **For both union and management**

- Collective bargaining process should give due consideration to hear the problems on both sides. This will develop mutual understanding of a problem which is more important for arriving at the solutions.
- Both the management and union should analyze the alternatives to arrive at the best solution.
- There must be mutual respect on both the parties. The management should respect the unions and the unions should recognize the importance of management.
- Both the union and management must have good faith and confidence in discussion and arriving at a solution.
- Collective bargaining required effective leadership on both sides, on the union side and management side to moderate discussions and create confidence.
- In collective bargaining both the union and management should observe the laws and regulations in practice in arriving at a solution.
- In all negotiations, the labour should be given due consideration – in wage fixation, in working conditions, bonus etc.

### **For Management**

- Management should think of realistic principles and policies for labour regulations.
- The recognitions of a trade union to represent the problems is more essential. If there are more than one union, the management can recognize on which is having the support of majority of workers.
- Management should follow a policy of goodwill, and cooperation in collective bargaining rather than an indifferent attitude towards the union.
- Managements need not wait for trade union to represent their grievances for settlement. Management can voluntarily take measures to settle the grievances.
- Managements should give due consideration to social and economic conditions of workers in collective bargaining.

### **For Unions**

- Unions should avoid undemocratic practices.
- Unions have to recognize their duties to the management also before emphasizing their demands.
- Unions have to consider the benefits to all workers rather than a section of workers.
- Strike lock-outs should be resorted to, only as a last measure. As far as possible they have to be avoided by compromise and discussion.

## **Theories of Collective Bargaining:**

There are three important concepts on collective bargaining which have been discussed as follows:

### **The Marketing Concept and the Agreement as a Contract:**

The marketing concept views collective bargaining as a contract for the sale of labour. It is a market or exchange relationship and is justified on the ground that it gives assurance of voice on the part of the organised workers in the matter of sale. The same objective rules which apply to the construction of all commercial contracts are invoked since the union-management relationship is concerned as a commercial one.

According to this theory, employees sell their individual labour only on terms collectively determined on the basis of contract which has been made through the process of collective bargaining.

The uncertainty of trade cycles, the spirit of mass production and competition for jobs make bargain a necessity. The trade union's collective action provided strength to the individual labourer.

It enabled him to resist the pressure of circumstances in which he was placed and to face an unbalanced and disadvantageous situation created by the employer. The object of trade union policy through all the maze of conflicting and obscure regulations has been to give to each individual worker something of the indispensability of labour as a whole.

It cannot be said whether the workers attained a bargaining equality with employers. But, collective bargaining had given a new- relationship under which it is difficult for the employer to dispense without facing the relatively bigger collective strength.

### **The Governmental Concept and the Agreement as Law:**

The Governmental Concept views collective bargaining as a constitutional system in industry. It is a political relationship. The union shares sovereignty with management over the workers and, as their representative, uses that power in their interests. The application of the agreement is governed by a weighing of the relation of the provisions of the agreement to the needs and ethics of the particular case.

The contract is viewed as a constitution, written by the joint conference of union and management representative in the form of a compromise or trade agreement. The agreement lays down the machinery for making executing and interpreting the laws for the industry. The right of initiative is circumscribed within a framework of legislation.

Whenever, management fails to conform to the agreement of constitutional requirements, judicial machinery is provided by the grievance procedure and arbitration.

This creates a joint Industrial Government where the union share sovereignty with management over the workers and defend their group affairs and joint autonomy from external interference.

## **The Industrial Relations (Managerial) Concept as Jointly Decided Directives:**

The industrial relations concept views collective bargaining as a system of industrial governance. It is a functional relationship. Group Government substitutes the State Government. The union representative gets a hand in the managerial role. Discussions take place in good faith and agreements are arrived at. The union joins with company officials in reaching decisions on matters in which both have vital interests. Thus, union representatives and the management meet each other to arrive at a mutual agreement which they cannot do alone.

To some extent, these approaches represent stage of development of the bargaining process itself. Early negotiations were a matter of simple contracting for the terms of sale of labour. Developments of the latter period led to the emergence of the Government theory. The industrial relations approach can be traced to the Industrial Disputes Act of 1947 in our country, which established a legal basis for union participation in the management.

### **Importance of Collective Bargaining:**

The collective bargaining advances the mutual understanding between the two parties i.e., employees and employers.

The role of collective bargaining may be evaluated from the following point of view:

#### **(1) From Management Point of View:**

The main object of the organisation is to get the work done by the employees at work at minimum cost and thus earn a high rate of profits. Maximum utilization of workers is a must for the effective management. For this purpose co-operation is required from the side of the employees and collective bargaining is a device to get and promote co-operation. The labour disputes are mostly attributable to certain direct or indirect causes and based on rumors, and misconceptions. Collective bargaining is the best remedial measure for maintaining the cordial relations.

#### **(2) From Labour and Trade Union Point of View:**

Labour has poor bargaining power. Individually a worker has no existence because labour is perishable and therefore, the employers succeed in exploiting the labourers.

The working class in united form becomes a power to protect its interests against the exploitation of the employers through the process of collective bargaining.

The collective bargaining imposes certain restrictions upon the employer. Unilateral action is prevented. All employees are treated on equal footings. The conditions of employment and rates of wages as specified in the agreement can be changed only through negotiations with labour. Employer is not free to make and enforce decisions at his will.

Collective bargaining can be made only through the trade unions. Trade unions are the bargaining agents for the workers. The main function of the trade unions is to protect the economic and non-economic interests of workers through constructive programmes and collective bargaining is one of the devices to attain that objective through negotiations with the employers, Trade unions may negotiate with the employer for better employment opportunities and job security through collective bargaining.

### **(3) From Government Point of View:**

Government is also concerned with the process of collective bargaining. Government passes and implements several labour legislations and desires it to be implemented in their true sense. If any person violates the rules and laws, it enforces them by force.

Collective bargaining prevents the Government from using the force because an amicable agreement can be reached between employer and employees for implementing the legislative provisions. Labour problems shall be minimised through collective bargaining and industrial peace shall be promoted in the country without any force.

Collective bargaining is a peaceful settlement of any dispute between worker and employers and therefore it promotes industrial peace and higher productivity resulting an increase in the Gross National Product or the national income of the country.

### **Main Hindrances for Collective Bargaining:**

The main objective of developing collective bargaining technique is to improve the workers-management relations and thus maintain peace in industries. The technique has developed in India only after India got independence and got momentum since then.

The success of collective bargaining lies in the attitude of both management and workers which is actually not consistent with the spirit of collective bargaining in India. There are certain problems which hinder the growth of collective bargaining in India.

The following factors or activities act as hindrances to effective collective bargaining:

#### **(1) Competitive Process:**

Collective bargaining is generally becoming a competitive process, i.e., labour and management compete each other at negotiation table. A situation arises where the attainment of one party's goal appears to be in conflict with the basic objectives of the other party.

#### **(2) Not Well-Equipped:**

Both the parties management and workers come to the negotiation table without doing their homework. Both the parties start negotiations without being fully equipped with the information, which can easily be collected from company's records. To start with, there is

often a kind of ritual, that of charges and counter charges, generally initiated by the trade union representatives. In the absence of requisite information, nothing concrete is achieved.

### **(3) Time to Protest:**

The immediate objective of the workers' representatives is always some kind of monetary or other gains, accrue when the economy is buoyant and the employer has capacity to pay. But in a period of recession, when demand of the product and the profits are falling, it is very difficult for the employer to meet the demands of the workers, he might even resort to retrenchment or even closure collective bargaining is no answer to such a situation.

### **(4) Where Prices are Fixed by the Government:**

In industries, where the prices of products are fixed by the Government, it becomes very difficult for the employer to meet the demands of workers which would inevitably lead to a rise in cost of the products produced. Whereas the supply price to the consumers cannot be increased. It will either reduce the profits of the firm or increase the loss. In other words, it will lead to closure of the works, which again is not in the interest of the workers.

### **(5) Outside Leadership:**

Most of the Indian trade unions are led by outsiders who are not the employees of the concerned organisations. Leader's interests are not necessarily to be identical with that of the workers. Even when his bonafides are beyond doubt, between him and the workers he leads, there cannot be the degree of understanding and communication as would enable him to speak on behalf of the workers with full confidence. Briefly, in the present situation, without strong political backing, a workers' organisation cannot often bargain successfully with a strong employer.

### **(6) Multiplicity of Trade Unions:**

One great weakness of collective bargaining is the multiplicity of trade unions. In a multiple trade union situation, even a well recognised, union with long standing, stable and generally positive relationship with the management, adopts a militant attitude as its deliberate strategy.

In Indian situation, inter-union rivalries are also present. Even if the unions combine, as at times they do for the purpose of bargaining with the employer they make conflicting demands, which actually confuse employer and the employees.

### **(7) Appointment of Low-Status Executive:**

One of the weaknesses of collective bargaining in India is that the management deposes a low-status executive for bargaining with the employees. Such executive has no authority to commit anything on behalf of the management. It clearly indicates that the management is not at all serious and the union leaders adopt other ways of settling disputes.

### **(8) Statutory Provisions:**

The constraints are also imposed by the regulatory and participative provisions as contained in the Payment of Wages Act, the Minimum Wages Act, and Payment of Bonus Act etc. Such provisions are statutory and are not negotiable.

### **(9) Fresh Demands at the Time of Fresh Agreement:**

At the time when the old agreement is near expiry or well before that, workers representatives come up with fresh demands. Such demands are pressed even when the industry is running into loss or even during the period of depression. If management accepts the demand of higher wages and other benefits, it would prefer to close down the works.

### **(10) Agreements in Other Industrial Units:**

A prosperous industrial unit in the same region may agree with the trade unions to a substantial increase in wages and other benefits whereas a losing industry cannot do that. There is always pressure on the losing industries to grant wages and benefits similar to those granted in other (relatively prosperous) units in the same region.

### **Advantages of Collective Bargaining**

Perhaps the biggest advantage of this system is that, by reaching a formal agreement, both sides come to know exactly what to expect from each other and are aware of the rights they have. This can decrease the number of conflicts that happen later on. It also can make operations more efficient.

Employees who enter collective bargaining know they have some degree of protection from employer retaliation or being let go from the job. If the employer were dealing with just a handful of individuals, he might be able to afford to lose them. When he is dealing with the entire workforce, however, operations are at risk and he no longer can easily turn a deaf ear to what his employees are saying.

Even though employers might need to back down a little, this strategy gives them the benefit of being able to deal with just a small number of people at a time. This is very practical in larger companies where the employer might have dozens, hundreds or even thousands of workers on his payroll. Working with just a few representatives also can make the issues at hand seem more personal.

Agreements reached through these negotiations usually cover a period of at least a few years. People therefore have some consistency in their work environment and policies. This typically benefits the company's finance department because it knows that fewer items related to the budget might change.

On a broad scale, using this method well can result in more ethical way of doing business. It promotes ideas such as fairness and equality, for example. These concepts can spill over into other areas of a person's life, inspiring better general behavior towards

others.

## **Disadvantages of Collective Bargaining**

A major drawback to using this type of negotiation system is that, even though everyone gets a say in what happens, ultimately, the majority rules, with only a few people determining what happens too many. This means that a large number of people, particularly in the general workforce, can be overshadowed and feel like their opinion doesn't really matter. In the worst case scenario, this can cause severe division and hostility in the group.

Secondly, it always requires at least two parties. Even though the system is supposed to pull both parties together, during the process of trying to reach an agreement, people can adopt us-versus-them mentality. When the negotiations are over, this way of looking at each other can be hard to set aside, and unity in the company can suffer.

Collective bargaining can also be costly, both in terms of time and money. Representatives have to discuss everything twice—once at the small representative meetings, and again when they relay information to the larger group. Paying outside arbitrators or other professionals quickly can run up a fairly big bill, and when someone else is brought in, things often get slower and more complex because even more people are involved.

Some people point out that these techniques have a tendency to restrict the power of employers. Employees often see this as a good thing, but from the company's perspective, it can make even basic processes difficult. It can make it a challenge to deal with individual workers, for example.

The goal of the system is always to reach a collaborative agreement, but sometimes tensions boil over. As a result, one or both parties might feel they have no choice but to muscle the other side into giving up. Workers might do this by going on strike, which hurts operations and cuts into profits. Businesses might do this by staging lockouts, which prevents members' of the workforce from doing their jobs and getting paid, negatively affecting income and overall quality of living.

Lastly, union dues are sometimes an issue. They reduce the amount of take-home pay a person has, because they usually are deducted right from his paycheck. When things are good in a company and people don't feel like they're getting anything from paying the dues, they usually become unhappier about the rates.

The idea of collective bargaining emerged as a result of industrial conflict and growth of trade union movement and was first given currency in the United States by Samuel Crompers. In India the first collective bargaining agreement was conducted in 1920 at the instance of Mahatma Gandhi to regulate labour management relation between a group of employers and their workers in the textile industry in Ahmadabad.

# Workers' Participation in Management

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“**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 institutionalized forms such as the presence of workers' members on management or supervisory boards or even management by workers themselves as practised”.

In fact, the basic reason for differences in perception of WPM is mainly due to the differential pattern of practices adopted by various countries while implementing workers' participation in management.

For example, in Great Britain and Sweden, WPM is in the form of Joint Consultation through Joint Consultative Committees, Works Committees in France, Co-determination Committees in West Germany, Joint Work Council in Belgium, Workers' Council and Management Board in Yugoslavia and Union Management Co-operation in USA.

In India, WPM is in the form of, what we call Labour Management Cooperation and Workers' Participation in Management. It is implemented through the agencies like Works Committees, Joint Management Councils (JMCs) Shop Councils, Unit Councils and Joint Councils. Notwithstanding, these different forms of WPM differ only in degree, not in nature.

Be the perceptual differences as these may, WPM is a system of communication and consultation, either formal or informal, by which the workers of an organisation are kept informed, as and when required, about the affairs of the undertaking and through which they express their opinion and contribute to decision-making process of management.

## **Characteristics:**

1. Participation implies practices which increase the scope for employees' share of influence in decision-making process with the assumption of responsibility.
2. Participation presupposes willing acceptance of responsibility by workers.
3. Workers participate in management not as individuals but as a group through their representatives.
4. Worker's participation in management differs from collective bargaining in the sense that while the former is based on mutual trust, information sharing and mutual problem solving; the latter is essentially based on power play, pressure tactics, and negotiations.
5. The basic rationale for worker's participation in management is that workers invest their labour and their fates to their place of work. Thus, they contribute to the outcomes of organization. Hence, they have a legitimate right to share in decision-making activities of organisation.

## **Objectives:**

The objectives of WPM are closely netted to the ration-able for WPM. Accordingly, the objectives of WPM vary from country to country depending on their levels of socio-economic development political philosophies, industrial relations scenes, and attitude of the working class.

To quote, the objective of WPM is to co-determine at the various levels of enterprises in Germany, assign the final to workers over all matters relating to an undertaking in Yugoslavia, promote good communication and understanding between labour and management on the issues of business administration and production in Japan, and enable work-force to influence the working of industries in China, for example.

In India the objective of the government in advocating for workers' participation in management, as stated in the Industrial Policy Resolution 1956, is a part of its overall endeavour to create a socialist society, wherein the sharing of a part of the managerial powers by workers is considered necessary.

**The objective of WPM, as envisaged in the Second Five Year Plan of India is to ensure:**

1. Increase in productivity for the benefit of all concerned to an enterprise, i.e., the employer, the employees and the community at large.
2. Satisfaction of worker's urge for self-expression in the matters of enterprise management.
3. Making employees better understood of their roles in the organisation.

In ultimate sense, the objective of WPM in India is to achieve organizational effectiveness and the satisfaction of the employees.

**Accordingly, the objectives of WPM in India are to:**

1. Promote mutual understanding between management and workers, i.e., industrial harmony.
2. Establish and encourage good communication system at all levels.
3. Create and promote a sense of belongingness among workers.
4. Help handle resistance to change.
5. Induce a sense among workers to contribute their best for the cause of organisation.
6. Create a sense of commitment to decisions to which they were a party.

**Levels of Participation:**

Having known the objectives of WPM, the question then is to what extent workers can participate in decision-making process. In other words, it is important to know the extents/levels of co-determination in an organisation.

Viewed from this angle, Mehtras has suggested five levels of workers' participation ranging from the minimum to the maximum. Since these levels of workers' influence the process and quality of decision making in an organisation. We are therefore highlighting here these levels briefly ranking them from the minimum to the maximum level of participation.

### **Informative Participation:**

This refers to management's information sharing with workers on such items those are concerned with workers. Balance Sheet, production, economic conditions of the plant etc., are the examples of such items. It is important to note that here workers have no right of close scrutiny of the information provided and management has its prerogative to make decisions on issues concerned with workers.

### **Consultative Participation:**

In this type of participation, workers are consulted in those matters which relate to them. Here, the role of workers is restricted to give their views only. However the acceptance and non-acceptance of these views depends on management. Nonetheless, it provides an opportunity to the workers to express their views on matters involving their interest.

### **Associative Participation:**

Here, the role of the workers' council is not just advisory unlike consultative participation. In a way, this is an advanced and improved form of consultative participation. Now, the management is under a moral obligation to acknowledge, accept and implement the unanimous decision of the council.

### **Administrative Participation:**

In the administrative participation, decisions already taken are implemented by the workers. Compared to the former three levels of participation, the degree of sharing authority and responsibility by the workers is definitely more in this participation.

### **Decisive Participation:**

Here, the decisions are taken jointly by the management and the workers of an organisation. In fact, this is the ultimate level of workers' participation in management.