Worker Director Scheme Revisited: Re-packaging and Revival for a Changed Era in India, a Torch Bearer for the World

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ABSTRACT

With the New Economic Policy, the entire field of industrial relations, now renamed as employee relations, has undergone a metamorphosis. Workers participation in Management has also undergone similar changes. With a more educated and informed workforce, the need of the hour is to introduce or redesign schemes that match contemporary trends. This study makes a case for reviving the Worker Director Scheme launched in the 1970s by the government of India.

After a review of literature that explains the Worker Director Schemes to be failure in major parts of the world, the reasons for failure in India are highlighted. Next, the changing times and various factors are highlighted which are conducive for bringing the scheme again. Finally, the things to be considered while re-launching this scheme are highlighted. Some of these include proper training, open communication channel, role clarity and equitable treatment of the Worker Director. The study concludes by suggesting a revival of Worker Director Scheme given the changed time and circumstances but with all the aforesaid considerations.

Keywords: change, board of directors, industrial relations, worker director, worker participation in management

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INTRODUCTION

Workers Participation in Management or WPM is a system where workers get a chance to participate in the overall functioning of their enterprise. The concept developed not only to arrest the exploitation of workers but also to empower them. This is turn would lead to a motivated workforce with a sense of ownership. The overall objective is to attain industrial growth, peace and democracy. As per Second Five Year Plan (1956) [1], it is necessary that workers be made to feel that they are helping to build a progressive state.

Workers Participation in Management works at different levels. It can be as simple as sharing of information known as informative level, to consulting them in day to day affairs (consultative), making them partners in administration (administrative) and to take them to the highest level of decision making (decisive level). All over the world schemes have been introduced to ensure participation of workers at all the aforesaid levels. In India, some prominent schemes have been Works Committee, Joint Management Councils, Worker Director, The 1975 WPM scheme, The Equity Bill of 1985 and others.

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BRIEF REVIEW OF LITERATURE

The success of new policies would depend to a large extent on introduction of new industrial relations and human resource policies at the national and enterprise levels [2]. While the government can ensure at the national level, corporate must make sure this happens at micro level. The persistence of formal institutions goes hand in hand with rapid and dramatic change – a neo-liberal re-orientation among political elites in government and a more bellicose stance on the part of employers [3].

The concept of Workers Participation in Management is quite old globally. India has accepted the idea of involving workers in organizational decision-making process as an integral part of labour policy [4]. It has quite a few advantages as seen from experience. Good participation machinery contributes to good industrial relations and at the same time successful participation itself is dependent on good industrial relations [5] because influence is shared among individuals who are otherwise hierarchically unequal [6]. And management decisions are translated into production by workers [7].

Workers Participation in Management has assumed great importance these days because it reduces industrial unrest and helps in dispelling employees misunderstanding about the outlook of management in industry [8]. It also helps in performance, satisfaction, and productivity of an employee [6, 9, 10] . Increasing employee participation will have a positive effect on employee's job satisfaction, employee commitment and employee productivity [11]. Employee Participation is also influenced by individual and organizational contextual factors [12].

The top most level of employee participation is in the decision making of any organization. With this objective in mind, the Worker Director scheme was introduced in India in 1971. It was felt it would bring in workers' perspective and be an effective two-way communication link [13]. The assessment of the effectiveness of worker directors as a form of participation varies dramatically [14]. It helps in cooperative labor relations, with long-term gains in terms of productivity and improved worker morale [15]. The Worker Director Scheme in India's public sector fits the total participative framework [16]. The Indian government began appointing labor representatives on the board of several public sector enterprises (Ratnam, 2006).

Most researches claim worker director scheme to be a failure. They range from corporate managers and workers having widely divergent definitions of the worker director role in US [17] to trust and emotions in Scandinavian countries [18] the role actually played [19], role conflict [20] and the confusion or ambiguity regarding basic requirements of a worker director role [21] and a combination of all or some of these and several other issues for Indian organizations [22]. On the positive side, the presence of worker directors was found to modestly increase productivity in British firms [23] and contributed to good corporate governance [15].

REASONS OF FAILURE OF WORKER DIRECTOR IN INDIA

In the 1970s the concept proved to be a failure. Mostly public sector undertakings had a worker Director on Board. The following reasons can be considered for the same:

(1) *Standing out:* The Worker Director (WD) would stand as an outsider among

the Board of Directors because he came from a separate class of the society. More often than not, he was found unequipped to handle basic etiquettes and formalities of board meetings

(2) *Role Conflict:* The Worker Director would often find himself sandwiched between conflicting role demands. As a worker, he would find himself sidelined as his fellow workers would feel he "belonged to the management" while he would still be a worker in the eyes of management. Thus, he would find himself in a unique situation where he would have to perform roles that would contradict each other. It is understandable that worker directors, especially those elected by staff, would feel they owe their primary accountability to the employees who elected them. This presents them with a fundamental conflict between their duties under law which are owed to the company and their accountability to their electorate - their fellow workers [24].

(3) *Over transparency:* There would be fears of secrets being leaked from the boardrooms as the Worker Director would be more prone to information leakage and poaching by both unions and competitors.

(4) *Different interpretations:* Various organizations, particularly in the private sector, had implemented Worker Director Schemes in different perspectives. The roles and scope were different resulting in a lot of confusion over the same. There was no clarity on the role and functions of Worker Director (Ratnam, 2006). This was found true not only in India but elsewhere also in a study [25].

(5) *Outside leadership:* Many times, Worker Director was an outsider with no link to the organization but was from public life or a person of repute. This defeated the very purpose with which the scheme was floated.

All these coupled with a lot of political, social and economic factors resulted in Worker Director Scheme being a failure although it was extended to a few more public sector undertakings in India particularly banks [26].

CHANGING TIMES AND REVIVING WORKER DIRECTOR

As already said, the scheme of Worker Director proved to be a failure in the times it was introduced, and the reasons have already been highlighted. However, extensive changes have come over in the industrial relations (IR) and the overall economic scenario. Not only has industrial relations assumed importance strategically, there is a need to introduce new policies at national and enterprise levels [2].

The new policies need not be necessary from the scratch, but some existing ones can be revamped to suit the changed conditions. One significant move can be re-introduction or revival of Worker Director Scheme. The following points may be considered for the same:

(1) The profile of workers has changed over the years since the New Economic Policy (NEP) was introduced. The workers are more educated, aware of their rights and qualified as compared to their counterparts of the 1970s and 1980s. They are better skilled and trained at handling their own work and at attending meetings and boardroom etiquettes. The contemporary worker is lesser aggressive and friendlier with the management as compared to the previous generation. Representation of workers on Board of Directors will help further bridge the gap and make him more comfortable in the boardroom as never before.

(2) With the introduction on ESOP and equity schemes, workers are made partners in the organization. Such a spirit can be further consolidated by bringing a representative of employee

in boardrooms now. This shall help workers gain confidence in the management's commitment to grant them equal status. It shall also be a practical manifestation of management's philosophy of labor welfare and their genuine concern towards employees.

(3) In modern times, competition has assumed a different direction. The paradigm shift has been from employees and employers as competitors to inter-organizational competition. With this, employees and employers find themselves on the 'same side'. The need is to develop solidarity amongst the two groups to gain competitive edge. Worker Director Scheme can help them bond better so that competition can be met together.

(4) Earlier there was a danger of inadequate and improper flow of information and leakage of certain secrets subsequently. In this era of information and technology, much information is already public. Most employees are aware of organizational working and policy making procedures. They are not only aware but also consulted in matters concerning organizational working. In such a scenario, transparency exists and concerns over information going out no longer remains.

(5) With the declining role and influence of trade unions, Worker Director may become a true representative of workers who shall be directly in touch with the management provided he is selected from among the employees.

(6) Most organizations today have adopted modern human resource practices including allocating Key Result Areas (KRAs). Often, such KRAs include multitasking, multiple roles and responsibilities Coupled with job rotations and multiple management modern employees are well aware of handling several duties and roles at the same time. One of the major criticisms of the scheme was workers found themselves difficult to adjust between different roles. Workers of modern times are well equipped now for a Worker Director position as they know how to juggle between roles due to such contemporary HR practices.

POINTS TO BE CONSIDERED WHILE LAUNCHING WORKER DIRECTOR SCHEMES

In the above section, it has been proved Worker Director Scheme can be revived in a changed scenario. However, certain things should be considered while launching such schemes to ensure their success. The following points may be considered:

(1) Although better qualified and educated, some training needs to be given to candidates and employees who are to be nominated or elected as Worker Director. In most sectors, training programmed have become a routine activity [27] and organizations have a training calendar. A dedicated training programmed can be prepared exclusively to groom workers for such a position. Trained employees can then be appointed as Worker Director. This shall help remove many apprehensions on the part of management as well as workers. These trainings should be designed in joint consultation with employees and with inputs from people who were Worker Directors formerly.

(2) The scheme should be communicated to the employees and the management should make sure the employees understand it properly. This should be followed with an open dialogue with the workers. All points related to the Worker Director Scheme should be conveyed properly and unambiguously.

(3) It is imperative to clarify the actual role Worker Director shall play. Past experience has shown role clarity and confusion has resulted in failure of the schemes throughout the world [20, 21,

24] and in India [22]. There should be a mutual understanding between all the parties concerned about the role Worker Director shall play and the extent of his role. Such clarity is necessary not only for employees, unions and management but also among the Board of Directors. This shall not only enhance the efficiency of Worker Director but also make him more acceptable to other Board members.

(4) Top management has to make sure there is a climate of trust and mutual understanding before launching this scheme. Trust should be prevalent between employees and employers on one side and between Board members on the other. In an environment of skepticism and suspicion, the Worker Director Scheme shall meet the same fate it did earlier. This is all the truer for Indian Public Sector enterprises where difference between management and workers is still quite marked.

(5) Inside the board, the Worker Director needs to be treated at par with other Board members. In its' earlier manifestation, the Worker Director was considered as an outsider [13] which was a major reason for failure of the schemes. Therefore, it is necessary for the Chairman- Board of Directors (BoD) to consider all members including the Worker Director as equals who have an equal say in the affairs of the board.

(6) The Worker Director scheme can also be coupled with succession planning and be an important link in Career Development plans of employees. The skills can be utilized and recognized properly and be an integral part of Leadership Development programmes that groom leaders inside the organizations. This will groom inside leaders and take care of the concerns raised by outside leadership.

(7) Finally, despite all transparency and equality, the organizations should pre-decide the degree and amount of information to be shared with the Worker Director to not leak out too much information.

(8) If handled properly, the Worker Director scheme can prove to be an asset given the changed circumstances.

CONCLUSION

In the light of the aforesaid, it can be concluded that Worker Director Schemes can be revived in contemporary times. The failure of these schemes belongs to a different era under different economic circumstances and a different workforce. Today both public and private sector organizations can use these schemes for gaining competitive edge and motivating their workforce. It can also be used to give employees their due share and can become the highest hallmark of industrial democracy.

However, there is a need to proceed with caution and learn from previous mistakes. Open communication, education of workforce in this regard, proper training and pre-determination of levels and extent of information sharing coupled with equitable treatment of Worker Directors can make these schemes a success. Hence the organizations, preferably led by private ones, can revive the scheme of appointing Worker Directors on their boards.

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