

Course Name: Labour Welfare and Industrial Relations

Professor Name: Prof. Dr. Abraham Cyril Issac

Department Name: School of Business

Indian Institute of Technology Guwahati

Week:11

Lecture: 48

Lec 48: Degree and Forms of Labour Participation

Hello, learners. Namaste. Welcome back to the second lecture of this module, where we were actually looking into workers' participation management. Today, specifically, we'll look into the degree and the forms of labor participation.

I'm Dr. Abraham Cyril Issac. I'm an assistant professor at the School of Business, Indian Institute of Technology, Guwahati. Now, when you look into workers participation, we have tried to emphasize on the need of the same. We have tried to look into the evolution, the timeline of workers participation, what do you actually mean by workers participation, how it effectively gathers momentum and how it actually empowers the employee. And it also empowers the employer. It also gives a productive or efficient outcome to what was otherwise in a totally inefficient system.

So all these aspects we have browsed through. Now we look into something which is related to the different types, the different degrees and different forms of labor for participation. When you look into labor participation, let's understand the concept from a different angle altogether today. When you look into labor participation, you see that labor participation refers to the active involvement of individuals. Now, we do not have any doubt in stating this active involvement part of individuals in the workforce today.

we do understand that when there is active involvement of the individuals in the workforce or in productive activities, it encompasses various forms of employment and economic engagement. Now, this is more critical. Once you are talking about the worker

participation or the labor participation specifically, We understand, we do understand that there is employee engagement, but something which is more relevant and something which needs a proper attention here is economic engagement. When you talk about economic engagement, this is beyond just an individual unitary analysis.

Let's understand it from a holistic basis. Let's understand this from the economy as such. Now, what happens when there is collective ownership coming from one factory? That will be good for that particular factory or good for that particular organization or company. Now, if that collective ownership is reciprocated across the different organizations, different companies within a territory, the territory will itself come up.

Now what happens if the entire state has such an ecosystem, a business ecosystem where the thriving happens with certain interdependency, everybody is into helping each other, everybody is into worker participation, everybody is into bringing a collective decision making every time they are bringing out a decision. So all these aspects literally creates high performing state. Now this Couple of states together, it forms a region and finally the country itself. If you look into specifically Indian scenario, we see that some of the states are having better ease of doing business.

Some of the states are having a better work culture when it comes to the business angle. So why is that? That some states lack there and some states are having some sort of deficiency there, whereas some states which belong to the same country perform better. So one reason could be that there is labor participation which is effective. And this actually leads to not only employee engagement, it also leads to economic engagement.

More people are coming into the system where they have a say. More people are happy in remaining in the system where they have a say. Now this is the logic why you need to have a proper informed decision making body. This is the reason why you need to have the lowest of the lowest labor who is doing the actual work should have a seat in the table where the decision making is done because he or she will be proficient enough to look into it from his angle or her angle. This is something which is very vital when it comes to economic engagement.

Now when you look into the significance we understand. that labor participation is crucial for policy making. It is crucial for economic planning and addressing societal needs. Now, it impacts productivity, there is no doubt about it. It impacts income distribution.

It has its own ramifications with respect to the social dynamics of the entire country or the economy. It would also contribute to the economic growth poverty reduction and obviously the gender equality now this is what the significance is if you look into you know the entire statements you are talked about productivity we have discussed that income distribution because more the number of people are being made into or you know invoked into the decision making there will be more of equity there will be more of equality when it comes to actual distribution of the resources Now, there will be a key shift in the social dynamics because there were times when only a few were selected towards the top hierarchy. Now, that time has gone.

When you are looking into active labor participation, when you are talking about dynamics of active worker participation, the social dynamics is different. There is hardly any hierarchy in place. There will be equal amount of sense of ownership as well as sense of responsibility coming from each level. So please note, not only the sense of ownership, the effective labor participation actually brings in the sense of responsibility too. This particularly contributes to the economic growth.

It contributes to the economic growth Or in other words, it works towards the reduction of poverty. And finally, if you look into non-discriminatory practices that are followed as part of the labor participation concept, you do not need to go anywhere to find justification in understanding the fact that it is also tantamount to increasing the gender equality. Now, let's quickly look into some of the statistical measures. When you look into labor participation rates, they are typically calculated using data on employed, data about unemployed and economically inactive populations.

Now, what basically happens is that it provides insights into the proportion of individuals actively employed. contributing to the economy and the labour market. So you get a typical idea about what is the ratio, what is the number, what is the actual quantum of the

workforce which actually contributes to the labour market, to the entire market of labour. So, this is what the statistical measure signifies. Now, when you look into or when you try to understand, when you attempt to understand labor participation, you have to understand the concept, you have to understand the significance and not to forget the statistical measures clearly guide us towards a clear understanding of the labor market.

Now, when you look into the forms of labor participation, this is one of the key essence of the lecture. Also, when you look into the different forms of labor participation, we have typically different types of forms, types involved or having a say in labor participation. The first one is obviously work council. What do you mean by work council? A formal group representing workers that actually discusses and negotiates with management on work related issues.

Now, certainly something which is relevant is with management on work related issues. It could be based on, you know, something like working conditions. It could be something like employee welfare and even to a certain extent, organizational changes. So what we have seen with respect to the outside world is that work councils are common in the European countries and provide a platform for labour representation. If you look into the Disputes Act, if you recollect the lecture of the Industrial Disputes Act 1947,

Every single establishment employing 100 or more workers is required to constitute a work committee. We have looked into it to a certain extent in that particular lecture. Please revise that. Such a committee, the work council, such a committee consists of equal number of representatives of employers. So the main purpose of works committee is to provide measures for securing and preserving amity and good relations between employer and employee.

So if there is one significant reason, one significant reason I want to underscore the relevance of work council, I will categorically state that it is to preserve amity and good relations between the employer and employees. When you look into the employee ownership, the second form, typical form of labor participation involving workers in the ownership. and financial success of the company through share ownership. It could be through profit sharing. It could be through employee stock ownership plans.

So this form of participation, whereby you are giving maybe a partnership, a shared ownership, maybe profit sharing, or some sort of employee stock ownership plans, this form of participation actually aligns employee's interest with company performance. Now, please note, There is a slight modification from the strategic intent. The strategic intent I was trying to emphasize in the previous lectures was when there is alignment of employees' interest with the company's interest or the company's objectives. Here, it is more of the alignment of employees' interest with the company's performance.

Now, this is also critical because If the employee's interests are not in alignment, not in agreement with company's performance, then the company would not survive longer. This method, particularly the employee ownership method, refers to the complete control of management by workers through an elected board and workers' council. If you want an example, the system was there in Yugoslavia. So in this system, actually what happened is that two different sets of people performed two distinct managerial and operative functions.

So the workers have the option of influencing the decisions taken at the top level. Yet, in actual practice, the board and the top management team assume a really independent role in taking the major policy decisions for the enterprise. Now, this is what makes the employee ownership significant. Now, let's look into the third form, which is job enrichment. When you talk about job enrichment, empowering employees by expanding their job roles to include a wide array of tasks, a wide array of responsibilities and decision making authority.

So job enrichment aims to enhance the employee motivation. Engagement and satisfaction. So people who have already covered the OB course, they would have a better idea of what you mean by job enrichment, which is distinct and different from job enlargement. But even you're talking about job enrichment, you have to understand that job enrichment categorically aims to enhance employment. employee motivation, engagement and satisfaction.

You feel that you are more into the job. You feel that you are more happy and satisfied with the job because this is what you are carved out for. This is what you are made for.

You get a feeling like that, then there is nobody going to stop you. So this is what the different forms of labor participation is all about.

Now, when you look into other typical forms of labor participation, we have something called as collective bargaining. We have categorically, systematically and comprehensively covered collective bargaining in our previous lecture. So I don't need to go into a deeper discussion on collective bargaining. You can look into the previous modules where we have extensively, as I already mentioned, covered collective bargaining. But what is of greater importance is that to understand that collective bargaining is done periodically or on a continuing basis between the management and workers' representatives on issues over which the interests of both parties are competitive. It could be issues like wage rates. It could be issues like bonus rates. It could be something like working hours and number of holidays. So the agreements arrived at are normally binding on both the parties. Now this is vital when it comes to collective bargaining. The system of collective bargaining itself, if you look deeper into this, depends on the principle of balance of power. Now, when you talk about balance of power, both the stakeholders, employers and employees do have differing opinion. They do have always conflicting cases.

So this is where the balance of power is vital. Managements and the unions representing the workers are regarded as two separate power blocks. that jointly negotiate the varied terms of employment with each other. So this is what I would like to discuss here with respect to collective bargaining. We have understood what collective bargaining is holistically, but in this level, we have to understand that collective bargaining as a form of labor participation underscores the relevance and the criticality of the balance of power.

Another important form of labor participation, the fifth one would be joint management council, JMCs. We look into joint management councils. These are joint bodies consisting of the representatives of management and employees. The functions of JMCs typically may range from decision making on some issues to simply advising the management as consultative bodies. So what we understand here is that the decisions of these joint management councils specifically include are advisory in nature. Please make a note of that. This is more of an advisory, suggestive decisions that are coming in, but I

cannot use the word decisions, opinions or advisory. The decisions of these councils are essentially advisory in nature through employers often implement the unanimous decisions of them. This is how actually the JMCs operate.

So working conditions, it could be accident, it could be prevention, it could be indiscipline, it could be cases of absenteeism or training are the important typical matters always before joint management council. I repeat, this is not an exhaustive list, but please do understand. that typical aspects like working conditions, typical aspects or typical cases of accidents, typical preventive cases, indiscipline or cases of absenteeism or training are essentially the important matters before joint council. Now, when you are looking into another form of labor participation, you will understand the relevance of board level. The basic function of the board is to ensure that the growth of enterprise capital, that is the critical function, no doubt about it.

If there are workers representative in the board, if there is workers representative in the board, the capital formation and growth will be definitely of secondary importance to him. So his preoccupation in this case will be one of the negotiating workers special interest with the other members of the board. So let's say in India, We have the portraits. We have the dock labor boards, etc.

So they all have worker representatives. So what we understand is that effectiveness of workers representatives at the board depends upon his ability to participate in decision making and decision and totally his knowledge of the company affair. So please understand these are some of the typical forms of labor participation. Now, having understood different forms of labor participation, let's look into something which is more systematic and that is types of labor participation.

When you look into types of labor participation. We have to see this labor participation from different angles of employment. We have to look at from the full time employment. How is labor participation? What do labor participation mean to a full time employee?

What does actually part time employment and how does part time employment work? is related to or how is part-time employment related to the labor participation another critical aspect is we cannot ignore the self-employed people what is the scenario what is

the case or how does self-employment relate to labor participation please note having a self-employment or you know running a particular entrepreneurial firm or being a manager or having a firm in itself in your name does not qualify to make a statement that you cannot have labor participation Every single employment avenue, every single type of employment avenue will have a similar type of labor participation. That's what we are going to discuss on the basis of employment, full-time employment, part-time employment, self-employment. Let's look into that in greater detail.

When you look into full-time employment, we see that individuals engaged in full-time employment. especially work a standard number of hours per week. Let's say it would be typically 35 to 40 hours and they often receive benefits. Let's say benefits like health insurance, benefits like paid time off or even retirement plans, which we see. So almost every business requires a certain number of permanent employees to ensure that these operations are run smoothly as other types of employees can join and leave the workforce regularly. So full-time employment should be offered critically for positions requiring commitment, consistent presence and long-term investment in the company. So this is what we have to understand from the beginning. What is your motto here? Why are you going for a full-time employment?

Will you go for a full-time employment if the consistent presence of the particular employee or the worker is not required? Will you go for a full-time employment when the job itself is not demanding on a regular day basis? Will you go for a full-time employment where you do not have consistent projects coming in and you have some deadlines and you have a consistent job that is to be done every week or fortnightly? Now that will not require a full-time employment. People may think of part-time employment.

So the need and the requirement of the job is very much essential in underscoring what type of employment you want. And based on the employment you are able to provide, you have different types of labor participation. So this is based on the full-time employment. Let's look into the part-time employment part. When you look into the part-time workers specifically, they contribute to the labor force significantly, by working fewer hours than full-time employees, often on a very flexible schedule. So this form of employment provides categorically opportunities for work-life balance. People do not

consider that very friendly these days. There are people who oppose work-life balance, people who ridicule work-life balance. Whatever be the final notion, let me make it explicit that for a healthy and productive output, for having greater efficiency and effectiveness at work, you need to have work-life balance, period. So this is what you should have in mind when you talk about work-life balance and supplementary income. So this is specific to part-time employment. When you talk about part-time employment, let's say, for instance, retailers employ part-time workers to meet increased demand, maybe during the peak season. or such employees are paid on a pro-rater basis and they may or may not receive benefits.

So these are some of the criticalities associated with part-time employees. Businesses that actually need flexibility in staffing should consider part-time employees as it helps companies manage labor costs more efficiently. You can easily adapt to varying workloads if you allow part-time opportunities. So this type of employment actually provides a critical opportunity To balance work with other commitments, let us say commitments such as education or family responsibilities.

Now, finally, we have a different type of labor participation, which is essentially based on the self-employment. Now, self-employed individuals work for themselves, owning or operating businesses and undertaking entrepreneurial activities. So they enjoy a certain level of autonomy. And that's the fun. That is the risk also associated with the business.

They enjoy autonomy in decision making and have essentially diverse income sources. So when you talk about, let's say, something like self-employment, this should be that will come to your mind or this is what that comes to your mind in the first place. When you're looking into labor participation, let's understand the different vital factors that influence labor participation. Let's start with the social norms and policies, the most interesting of the lot. When you talk about social norms, social aspects or social policies for that matter, Cultural norms, societal expectations and government policies play a pivotal role in shaping labor participation patterns by addressing issues. It could be issues like parental leave. It could be issues like, you know, the child care support or even retirement age regulation. So what we understand is that social norms, specifically social

norms are rules of conduct, That govern interactions among individuals within a reference group.

So let's say norm violations often provoke disapproval and loss of esteem, which is a force that holds them in place. Although let's say social norms exert a powerful influence on people's behavior. In many arenas, they are very difficult to measure directly and are often neglected in the design of policy. So what we understand with respect to the standard policy analysis, it focuses mainly on individual responses to incentives such as prices. So if individuals, let's say, are influenced by the rules of conduct, for the time being, let's take this as a hypothetical scenario. If individuals are influenced by the rules of conduct within their reference group, however, policies must be designed to induce change at the group level. As well as at the individual level. So it's not only at the group level. We need change, we need specific change even at the individual level. So this requires a different set of tools and techniques that is not available by the conventional policy analysis. So this is what we understand when we, you know, discuss more deeply on the social norms and policies vis-a-vis factors influencing labor policy. participation now when you look into the factors influencing labor participation based on the economic conditions we have to understand the state of economy it could be based on job availability it could be based on wages it could be based on the economic stability all these factors significantly influences individuals decisions to participate in the labor market or pursue alternative activities so this is what we have to understand from economic conditions.

When we are talking about economic conditions, we have to also understand about economic stability and growth. There should be a stable economic environment. That is the need of the hour. That is the need of any economy. In stable economies, what happens is that we know that companies are more likely to adopt participative management practices. So stability reduces uncertainty to a great extent and encourages long-term investments in human capital. When you talk about economic growth per se, during periods of economic growth, Firms are more likely to, you know, experiment with innovative management practices. It could be, you know, something like the workers participation coming in, workers participation management coming in as an experience or

as a practice or as a test or as an experiment to enhance productivity and employee satisfaction.

So economic growth definitely will give the cushion, will give the required impetus to include programs like workers participation management and thereby get a clear picture of the wpm or the workers participation in management when you're looking into the labor participation based on gender what are the critical factors affecting gender the critical discussion should hover around gender disparities despite the progress despite all the all the developments all the talks and philosophies and discussions and deliberations on gender, gender equality. Gender disparities in labor participation persist globally, and that is a fact. Factors such as, let's say, unequal pay, caregiving responsibilities, and even societal norms contribute to the differing participation rates between men and women.

So income inequality, it is nothing but the high levels of economic inequality that can lead to increased demand for the worker participation management as workers seek employment. greater influence over their working conditions and share of profits. When you look into the wage growth specifically, we see that sustained wage growth can be both a cause and effect of increased worker participation. So what we do understand is that as wage rise, workers may seek more involvement in management to sustain and enhance their economic conditions. These are some of the critical labour participation discussion based on gender disparities.

When you talk about the impact of technology on labour participation, it evidently throws light on two important aspects clinically. One is technological advancements that we are going through and another is the specific workforce adaptation. When we talk about the technological advancements, Technological innovations, you know, automation, you know, digital transformation have reshaped the work environments, leading to change in the skill requirements, specifically change in job structures. We have discussed this extensively.

Newer contracts have emerged. Different job structures have emerged. Work from home has been now a norm for some time. Organizational operations influencing labor

participation increased. So this is what is relevant when it comes to the technological advancements in the area.

We can look into the technological advancements from different dimensions. Let's look at it for the ease of understanding. Let's look at it from the automation and AI angle. AI is the buzzword for quite some time. When we look into technological advancement from automation and AI angle, we see that the nature of employment and the extent to which employees participate in decision making can be affected by technological advancement.

So in certain situations, technology can provide employees with knowledge and resources they actually need to contribute productively to management choices. Another important factor where we can actually, you know, channelize our discussions on technological advancements apart from automation and AI would be, let's say, something like digital platforms. India being one of the country that has progressed extensively. In fact, I will use the word exponentially on digital platforms. What we understand and see is that with the growth of remote work and digital platforms, new avenues for worker engagements are actually possible.

So by utilizing this ICT or the communication technology in TOTO, workers can actually participate in management processes from anywhere in the world. So these are the technological advancements which actually facilitate the labor participation. When you look into the workforce adaptation, very quickly, we'll understand that the impact of technology on labor participation necessitates continuous skills development, adaptation to new work arrangements, And revaluation of traditional employment models to align with the evolving industries is vital when you talk about the workforce adaptation. Now let's look into what is the global labor participation trends.

From the trends, we tried to decipher some of the key ideas that is running across the globe. From the data that is available to us, again, there might be slight changes with respect to the updated data, but this will give you a glimpse of what is specifically happening. When you look into the global labor participation trends, we see that Worker participation management processes may be impacted by the growth of multinational companies and international supply networks. So if you look into businesses that have

international operations may choose to actually implement this participatory management techniques from areas where employees involvement is highly valued.

You look into globalization, you will understand that. When you look into economic crisis, you know, worker participation management can be aided or hindered by worldwide economic downturn. So crisis may compel actual businesses to involve employees in coming up with ideas on how to survive, or they may trigger cost-cutting measures that lower employee involvement. So when you look into the regional divisions, we'll see that North America has a labor participation rate of which is highest at this point in time, 67 percent.

The projected trend is something which is vital to us. Stable growth due to diverse job market. Now, this is what makes the labor participation also high. So let's say I use this this particular analogy. A leads to B, B leads to A. So what happens is that increase in labor participation rate can be considered as an antecedent of diverse job market or diverse job market similarly can be considered as an antecedent of labor participation or we see that both are consequent in itself.

When you look into the second region, Europe, which is having 58% lesser than North America, but Asia is having a greater share. When you look at Europe specifically, you will see that there is moderate decline in traditional sectors. There has been growth in tech and innovation. Now, this is vital because you see that, you know, traditional sectors have gone down. They have taken a hit.

But when you look into, you know, regions like Asia, which is commanding a better labor participation rate, the reason could be the projected trend could be that rapid expansion driven by emerging markets. And digital economy. So something like some countries like China, India, for that matter, have gone exponentially. I've already used this word in my previous slide that, you know, when you come into the digital economy part, the Asian countries have gone exponentially. So this is what has happened in increasing the labor participation rate also in Asia.

When you look into Latin America, you have 59% labor participation rate. And the projected trend is that the varied trends influenced by economic reforms and

urbanization. So pretty much late here, when we look into the economic reforms, most of the other parts of the globe have already gone through this phase. Latin America is quite developed. delayed in looking into that side.

But that said, because of the economic reforms and urbanization, the labor participation rates are slowly climbing up. When you look into Africa, it is pretty low, 52%. The trend would be uneven patterns shaped by youth employment and industrial development. So this is what we understand on a global scenario, on a global labor participation trend-based analysis. We see that different regions have different involvement, different participation.

The reasons are different. So are the future trends. Also, please note more the technology advancements, more the work adaptation towards a change in technology. You have greater participation. I would like to remind you just one thing.

You know, worker participation in management was a difficult concept. to make the students or general public understand the concept in itself. The relative toughness or difficulty, level of difficulty was a bit high. But over the period in time, you see that as the technological advancements have happened, you will understand one fact, that because of this technological advancements, greater platforms have come into space whereby you can actually Deal with workers directly on a one-to-one arrangement or maybe one-to-many, but a direct contact or a direct discussion or a direct deliberation with whomsoever you want within a company.

It could be a large company, let's say 10,000 people, 10 lakh people, 1 crore people, does not matter. A real-time interaction is pretty much possible today. And that is the reason why workers participation management has become more effective and has become more easy. When you have things going your way, technology is facilitating it. Use the technology, harness the technology. If you are an employer listening to me, My only request would be harness this technology. There are possibilities where you can actually increase the workers' participation today. There cannot be any excuse in today's world not to facilitate workers' participation. That should be the key takeaway from this class.

We'll come up with more details on workers' participation and other related concepts in the next few classes. Till then, take care. Bye-bye.