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Industrial Sociology

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Industrial Sociology

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Preface

In recorded history there have perhaps been three pulses of change powerful enough to alter Man in basic ways. The introduction of agriculture . . . The Industrial Revolution . . . (and) the revolution in information processing technology of the computer . . .

—Herbert A. Simon

There are undercurrents in every society; people say that 'society is changing'; change can be seen in the manner of dress, behaviour, eating habits and workplace. But this has been happening over the centuries. The phrase 'continuity and change' has become popular in literary circles. There are significant changes occurring across organizations and occupations. Education, globalization and free flow of information are the leaders in change. These changes have affected every living being right from the people working from home to the people in the service sector (including aboriginal people of Andaman and Nicobar Islands). Newspapers, periodicals and other media take up one social issue after the other, such as corruption in businesses, changing face of workforce, feminism, and many more. This has led to the growing interest in industrial sociology as a field of study. This book offers historical, integrative and penetrating surveys of the topics that constitute discipline of industrial sociology (as prescribed by the University Grants Commission for postgraduate and undergraduate courses). The first purpose of this book is to serve the new generation of students and researchers and reflect the tremendous change industrial sociology has seen in the last decade. It is *India-centric* and the treatment is analytical rather than descriptive, since it is assumed that most students and professionals will have some knowledge of the developments in this field, and only passing reference would be made to them.

The second purpose of the book is to reassert what I think as the most important issues raised by the history of industrial development and change in work and demonstrate their contemporary relevance. In other words, this book attempts to uphold the theories that illuminate present industrial sociological problems. It introduces contemporary thinkers and their research.

The third purpose is to provide a book to students and academicians based on the syllabus as recommended by the UGC Committee of Curriculum Development as most universities are adopting the same. Industrial sociology is a sub-field of sociology as per UGC and is a part of the curriculum of sociology. The committee also went over the prevalent pedagogic practice, which is a combination of monologue lectures and dictation of notes and makes sociology an uninteresting subject both to the teacher and the students as the latter remains mere passive recipients. There is a need to supplement the lecture method with group discussions and seminar presentations. This will not only make knowledge transaction more interesting but also give the students a sense of participation in that process and contribute to the development of their communication skills. Effort here has been made to provide the students with additional reading work and so group assignments in order to give the feel of real issue that contemporary society faces.

The fourth purpose is to generate interest among the readers to contemporary issues at workplace. However, to actually appreciate the issues, there is a need to have sociological perspective. This book attempts to generate interest in sociological perspective.

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I hope this book will cater to the postgraduate and undergraduate students pursuing the studies in sociology as their core subject and the academicians who want to cortically analyse the impact of industry on Indian society. It will also serve the students of management, engineering, etc. as an introduction to the subject.

The book has been divided into five parts based on the structure, institutions, change, interaction and relations. Part 1, Chapters 1 and 2, discusses what industrial sociology is along with theories and movements. Chapter 1 highlights the interdependence and differences of various fields of social sciences and industrial sociology. In this chapter, while discussing growth and development of industrial sociology, works of modern thinkers like Goldthrope Blackburn, Mann and Baldamus have been highlighted, which would enable the readers to pursue further studies. In Chapter 2, thinkers, theories and movements are discussed. It includes division of labour, anomie, bureaucracy, rationality, production relations surplus value and alienation, and thinkers like Karl Marx, Emile Durkheim and Max Weber. The theories are not descriptive but analytically put forward.

Part 2 of the book consists of four chapters, 3 to 6. Chapter 3 presents the historical background of the Industrial Revolution and discusses its forerunners. The Industrial Revolution that took place in England in the eighteenth century changed the course of human society. Though the revolution essentially took place in the economic field, its effects were not confined to the economic field alone. It changed the pattern of human relations and altered people's outlook and attitude. The revolution brought about radical changes in the very structure of the society. The Industrial Revolution was not a one-day phenomenon. It was a continuous process and is still continuing today in some form. Development in the fields of science and technology has only added speed and volume to the process. Agricultural economies transformed into industrial economy and in turn small villages turned into industrial areas, towns and cities. The Industrial Revolution is taking place in India and many parts of the world.

Chapter 4 elaborates the growth of industrialization in view of the Industrial Revolution. It also discusses the impact of industrialization on society. Chapter 5 discusses the concept of work in industry. Chapter 6 discusses the growth of industrialization in India. It touches upon the industrialization that took place post-Independence, the planned economy with its five-year plans and opening up of the economy post-1990's.

In Part 3, Chapters 7 to 11, we look at the structure of industry. Structure is the basic necessity for an organization to accomplish its objectives. The structure is made up of people and hence it has a *contextual dimension*. Chapter 7 explains how organizations have come to dominate our life and discusses the various organizations in structural and contextual dimension. Chapter 8 offers full coverage of groups and organizations. It examines the formation of groups and the dynamics of their formation, interaction, and relationships. Chapter 9 talks about the communication as applicable in an industrial organization. Chapter 10 elaborates the dynamics of organization and its external environment. No industry grows in isolation; it interacts with environment where there is competition. It requires understanding of how the population at large looks at the industry for its own survival. Industry has also realized that it has a social responsibility towards the stakeholders.

Chapter 11 delves into ethics and human values and their place in industrial organization and society at large. There are a large number of movements that take up issues such as global warming, introduction of genetically modified seeds, mining, preservation of nature and ecology, corruption and so on; these have a direct impact on industry, its values and functioning.

Part 4, Chapters 12 to 15, focuses entirely on the *consequences of industrialization* and grievance handling. Chapter 12 discusses impact of industrial system and various aspects of industrial society. Chapter 13 elaborates growth and development of industrial relations. Chapter 14 elaborates collective bargaining and social dialogue. Chapter 15 discusses the relationship between employer and employees. It emphasizes the

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role of government and the structures that government has created to maintain cordial and good relations amongst the three to ensure that industrial production is at optimum efficiency. This chapter explores and examines the ever-changing balance between rights and responsibilities between employer, employee and the government.

Part 5 has one chapter. It exclusively deals with the impact of information technology on the society and world at large. Today, much of the business takes place through digital processes over a computer network rather than physical space. The world is moving away from mass production to specialized production. Electronics has created a new society, known as post-industrialized, networked, globalized and so on. The information technology (IT) has had its own impact on society in terms of attitude, behaviour and others. Today, there is no large transnational migration of population that we witnessed in the early stages of industrialization.

Format for Study

The text is designed with SQ3R study format at its core. Researches concluded that this approach helps students identify significant ideas rapidly, understand the concepts and remember and review them effectively for examinations. As a result, the students learn more about industrial sociology more easily while performing better on tests. I recommend that teacher and the students go over the steps together.

The term 'SQ3R' symbolizes the five steps in effective reading and learning—S represents 'survey', Q represents 'question' and 3R stands for 'read, recite and review'. The steps in SQ3R are built in each chapter.

1. Survey
2. Question
3. Read
4. Recite
5. Review

This book also takes into cognizance of the fact that a large number of research papers are being generated within India. These have been listed for study, preparation of a project or critical analysis at the end of each chapter. This would help the students in understanding the concepts better and critically analysing the society and changes that are taking place.

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Acknowledgements

Though I am not a sociologist, the study of sociology shaped my perspective towards life. Theories and ideas of thinkers like Karl Marx, Thomas Bottomore and Max Weber have heavily influenced my perception of life and the world around me.

The idea to pen this book was conceived as early as 2007 and thus I embarked upon the journey which was an enriching experience. I am thankful to all those who have been instrumental in giving this book its final shape.

I extend my sincere thanks to Dr. Kanwar Pal Singh, Professor of Sociology, Jai Narain Vyas University, Jodhpur, and Dr. Amarjeet Singh Mallik, Department of Sociology, Meerut College, who passionately believed in the ideas expressed in this book.

I am indebted to my parents, Late Lt. Col. Shyam Singh and Late Shri Parkashwati Devi, who have been a constant source of inspiration. I thank my wife for her unconditional support. My sons, Major Ravi Raja and Capt. (Dr.) Tarun Singh, and daughters-in-law, Mrs. Tapasya and Squadron Leader Veena, deserve special mention for helping me complete this project. Finally, I would like to thank my grandchildren, Sankalp and Sanskriti, without whom this project would not have been possible.

Last but not least; I am grateful to the staff at Tata McGraw-Hill for bringing out this book. I thank Mr. Amit Kumar, Mr. Yogesh Kumar, Ms. Surabhi Khare, Ms. Shalini Negi and Mr. Atul Gupta for their valuable suggestions and support. I am indebted to Ms. Vibha Mahajan and Mr. Tapas Maji without whom I probably would not have been able to complete the project.

Narendar Singh

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UGC Model Curriculum: Sociology

UG Paper/Course E11: Industrial Sociology

Objectives

The base of work as a human organization in the industry, how the work is being organized in an industrial organization, how labour is abstracted in the industrial work process, how the issue between labour and management is constructed and how labour welfare measures are implemented will be the rationale for the U.G. student who may consider the U.G. degree as a terminal one to get into the world of work in the industrial organization.

Hence, it is important to provide an understanding of sociology of industry, labour, human relations and management, to get the U.G. student familiarize with the actual problem situations in industrial organization in sociological perspectives.

Course Plan

- Industrial Sociology, its subject matter:
- Scope and importance of the study of Industrial Sociology
- Industrial organization, production process
- Labour characteristics in sociological perspectives
- Industrial work, organizational process of industrial work
- Worker, supervisor and authority relations
- Labour management relations: an overview of industrial and labour relations
- Conciliation, collective bargaining and adjudication
- Joint management councils and quality circles
- Trade union, its functions and participatory management and housing and community welfare

PG Paper/Course E18: Industry and Society in India

Objectives

As industrial society is a part-society with all its distinctive characteristics and as industrialization has been seedbed of sociological treatise on society, the knowledge and scholarship on industry and society should be the necessary requirement for the PG students. As there is a distinct pattern of work and its organization with all its technological conditioning factors, the work in industrial society, labour, and organization require to be an essential sociological knowledge for students as a corollary to it, the management and organization

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aspect of work and workers in industrial organization has to be the inevitable skill to diagnose the sociological trends in industrial community.

To expose the PG students with the knowledge on industrial society and sociological order, industrialization process, work transformation, industrial tours and cities and also on industrial organization with personnel management practices.

Course Outline

Classical sociological tradition on industrial dimensions of society, division of labour, anomie, bureaucracy, rationality, production relations surplus value and alienation. Emile Durkheim, Karl Marx and Max Weber.

Work, post modernity and organization: contemporary organizational realities, dialectical organizations, power and subjectivity.

Family, religion, stratification, habitat, settlement and environmental problems through industrialization process.

Work, work process, technology and labour, work culture, work ethics and human relation work. The concept of organization (formal and informal organization], its structure and functions, classical theories of management.

Industrial relations, conflicts, causes and types. Resolution of conflict, conciliation, abstraction and adjudication, collective bargaining.

Trade union, their growth, functions and their role in industrial organization.

Participatory management—varieties of such management, industrial community, labour migration, women and child labour, family, industrial city, social and environmental issues.

Pedagogy

The scholarship on industry and society should be besides the classroom teaching and field work oriented. The learners need to develop the diagnostic skills of discovering industrial society with an ability to be a critic. Hence, the field placement in industry as a case experience is essential.

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Contents

About the Author *ii*
Preface *v*
Acknowledgements *ix*
UGC Model Curriculum: Sociology *xi*

Part 1: Introduction

1. Industrial Sociology, Sociology and Social Sciences **3**

A Typical Day in the Life of Tarun *3*
What is Industrial Sociology? *5*
Sociological Perspectives *6*
Debunking in Industrial Sociology *7*
Key Industrial Sociological Concepts *7*
Role of Diversity in Industrial Sociology *8*
Global Perspective *8*
Scope and Importance of Industrial Sociology *8*
Nature of Industrial Sociology *9*
What does the Study of Industrial Sociology Necessitate? *9*
Industrial Sociology and Common Sense *11*
Industrial Sociology and Journalism *11*
Development of Industrial Sociology *13*
Place of Industrial Sociology among the Social Sciences *14*
Industrial Sociology and Occupational Skills *17*
Summary *17*
Key Terms *18*
Review Questions *18*
Project Work *18*
Further Readings *19*
Endnotes *19*

2. Theories and Movements: Industrial Sociological Perspectives **21**

Gender Praise Addiction *21*
Functionalism *22*

The McGraw·Hill Companies

Durkheim: The Dominant Tradition—Human Relation *24*
Contingency Theory *29*
Action Theory *29*
Conflict Theory *29*
Weber—Social Action Strand *33*
Symbolic Interactionist *34*
Theory of 'Modernity' and 'Modernization' *36*
Critical Theory, Postmodernism and Post-structuralism *37*
Summary *38*
Key Terms *39*
Review Questions *39*
Further Readings *39*
Endnotes *40*

Part 2: Industrialization

3. Forerunners of Industrial System **45**

Hunting and Gathering Societies *45*
Early Agriculture Societies *46*
Early Industry: Beginning of Transformative Industries *46*
Factory System and Its Forerunners *46*
Factories *52*
Summary *55*
Key Terms *56*
Review Questions *56*
Further Reading *56*
Endnotes *56*

4. Growth of Industrialization **58**

The Industrial Revolution *58*
Origin of the Industrial Revolution *59*
Impact of the Industrial Revolution *61*
The Industrial Revolution in the United States *63*
Spread of Industrialization in Europe *65*
Industrial Revolution around the World *66*
Social Impact of the Industrial Revolution *68*
Summary *70*
Key Terms *70*
Review Questions *70*

The McGraw·Hill Companies

Project Work *71*
Further Readings *71*
Endnotes *71*

5. Work: Meaning, Orientation and Experience **73**

Taking Time Off—How Useful Is It? *73*
Definition and Categories of Work *74*
Ideological Currents *76*
Division of Labour *77*
Work Orientation *77*
Nature of Industrial Work *79*
Unemployment and Joblessness *79*
Skill at Work *80*
Occupation *81*
Professionals *82*
Self, Identity and Subjectivity at Work *82*
Concept of Leisure *83*
Recreation *84*
Practice of Work Avoidance *85*
Summary *86*
Key Terms *86*
Review Questions *87*
Project Work *87*
Further Readings *87*
Endnotes *87*

6. Industrialization in India **90**

Indian Industry in the Past *90*
Ancient Period (up to 750 AD) *91*
Medieval Period (750 to 1757AD) *95*
Modern Period *97*
Industrial Revolution and Industrialization during Eighteenth and Nineteenth Centuries *100*
Industrialization During Beginning of Twentieth Century (Till 1947) *101*
Industrialization after the Independence *102*
Indira Gandhi's Era (Mid-1960s and 1970s) *107*
Industrial Policy Measures of the Eighties *109*
Industrial Policy Statement, 1991 *110*
Gandhian Way of Industrialization *113*
Summary *116*

The McGraw·Hill Companies

Key Terms *116*
Review Questions *116*
Project Work *117*
Further Readings *117*
Endnotes *117*

Part 3: Structure of Industry

7. Industrial Organization **121**

Every Organization Has a Structure *121*
What does Industrial Organization Mean? *122*
Concept of Organization *122*
Line and Staff *124*
Types of Organizations—Formal, Occupational, Informal and Traditional *125*
Technology and Control of Workers *134*
Japanese Corporate Model *135*
Emerging Organizational Designs *137*
Mergers and Acquisitions *143*
Summary *146*
Key Terms *146*
Review Questions *146*
Project Work *147*
Further Readings *147*
Endnotes *147*

8. Social Groups in Industry **150**

Socializing within an Organization *150*
Patterned Social Behaviour *151*
What is a Group? *151*
Functions of a Group *152*
Group Development *153*
Key Dimensions of a Group *154*
Conformity *156*
Group Dynamics *157*
Planned (Formal) Groups *161*
Emergent (Informal) Groups *161*
Social Loafing *166*
Group Think *166*
Committees in Industry *166*
Focus Group *167*

The McGraw·Hill Companies

Teams *168*
Psychological Intervention for Enhancing Group Behaviour in India *169*
Summary *170*
Key Terms *170*
Review Questions *170*
Project Work *170*
Further Readings *171*
Endnotes *171*

9. Communication **173**

Impression Management *173*
Communication through the Ages *174*
Functions of Communication *175*
Conditions for Effective Communication *176*
Communication Process *177*
Direction of Communication *179*
Interpersonal Communication *180*
Organizational Communication *181*
Choice of Communication Channel *184*
Barriers to Effective Communication *184*
Decision-Making *186*
Summary *188*
Key Terms *188*
Review Questions *188*
Project Work *189*
Further Readings *189*
Endnotes *189*

10. Organization and Its External Environment **190**

The Bhopal Plant and Union Carbide *190*
Components of Environment *191*
Society: Operating in Pluralistic Society *192*
Corporate Social Responsibility (CSR) *197*
Corporate Social Performance *200*
Social Audit *203*
Summary *206*
Key Terms *206*
Review Questions *206*
Further Readings *207*
Endnotes *207*

The McGraw·Hill Companies

11. Ethics and Human Values **208**

Changes in Society and their Impact on Human Values *209*
Ethics and Values *210*
Policy Demands *212*
Organizational Values *214*
Trust *215*
Personal Morality and Ethical Behaviour *215*
Societal Values *219*
Applying Ethics in Industy *223*
Basic Elements of an Ethical Organization *225*
Whistle-Blowing *225*
International Business Ethics *226*
Diversity *227*
Understanding New Accountabilities *227*
Corruption *227*
Summary *229*
Key Terms *229*
Review Questions *229*
Project Work *230*
Further Readings *230*
Endnotes *230*

Part 4: Industrial Society, Industrial Relations and Grievance Handling Procedures

12. Industrial Society **235**

Definition of Industrial Society *235*
Consequences of Industrialization *236*
Social Mobility *242*
Social Differentiation and Social Stratification *243*
Sociological Analyis of Effect of Industrialization on Indian Society *246*
Urbanization *247*
Economic Consequences of Industrialization *249*
Migration *250*
Evolution of Newclass: Middle Class *250*
Caste System at Workplace *252*
Change in Institution of Family *253*
Social Stratification *255*

The McGraw·Hill Companies

Child Labour *256*
Psychological Impact *257*
Outsourcing Industry *257*
Impact of Technology *257*
Summary *260*
Key Terms *260*
Review Questions *260*
Further Readings *261*
Endnotes *261*

13. Industrial Relations: Growth and Development **263**

Modi Steels *263*
Birth of Industrial Relations *265*
Definition and Concept *266*
Scope of Industrial Relations *267*
Objectives *267*
Labour Movement *267*
Impact of the Trade Union Movement *268*
Trade Union Movement in India *269*
Areas of Concern of Industrial Relations *273*
Approach *273*
Role of Governments in Industrial Relations *276*
International Factors *278*
Industrial Relations System at National and Industry Level *280*
Industrial Disputes *285*
Strikes *286*
Lockouts *287*
Picketing *287*
Gherao *288*
Industrial Relations in India *288*
Prohibition of Strikes and Lockouts *289*
Union Legislations *292*
Union Free Companies *295*
Summary *295*
Key Terms *296*
Review Questions *296*
Project Work *297*
Further Readings *297*
Endnotes *297*

The McGraw·Hill Companies

14. Collective Bargaining and Social Dialogue **298**

Trade Unions at Modi Steels *298*
Concept of Collective Bargain *300*
Definition of Collective Bargaining *301*
Approaches to Collective Bargaining *302*
Essential Features of Collective Bargaining *303*
Government Perspective on Collective Bargaining *304*
Importance of Collective Bargaining *304*
Position of Collective Bargaining in India *307*
Collective Bargaining in the Indian Context *309*
Collective Bargaining in Public Sector *309*
Emerging Issues in Collective Bargaining *312*
Workers' Participation and Internal Democracy *313*
Summary *316*
Key Terms *316*
Review Questions *316*
Further Readings *316*
Endnotes *317*

15. Employee Discipline and Grievance Handling Procedures **318**

Something is not Right *318*
Nature and Purpose of Discipline *320*
Principles of Discipline *320*
Problems that Result in Disciplinary Action *321*
Approaches to Discipline *322*
Code of Discipline in Industry *323*
Sources of Disciplinary Rules *324*
Grievances in Industry *327*
Grievance Procedure in Indian Industry *329*
Code of Discipline *330*
Standing Order *332*
Summary *334*
Key Terms *335*
Review Questions *335*
Project Work *335*
Further Readings *335*

The McGraw·Hill Companies

Part 5: Work Systems and Contemporary Issues

16. Organizational Changes and Post-industrial Society **339**

Post-industrial Society *339*
Information Society *341*
Globalization *345*
Migration *349*
War and Terrorism *349*
Regionalization *350*
Economic *351*
Globalization and Skills *352*
Nature and Purpose of International Business *355*
Globalization and its Impact on India *359*
Organizational Structure *364*
Management of Organization *368*
Technology at Workplace *371*
Summary *372*
Key Terms *372*
Review Questions *372*
Further Readings *373*
Endnotes *373*

Glossary **377**
Appendix: Survey of Research in Industrial Sociology in India **393**
Index **395**

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PART ONE 1

Introduction

1. Industrial Sociology, Sociology and Social Sciences
2. Theories and Movements: Industrial Sociological Perspectives

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CHAPTER ONE

Industrial Sociology, Sociology and Social Sciences

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- The meaning of industrial sociology
- Nature of industrial sociology
- Industrial sociological perspective
- Scope and subject matter of sociology
- Relevance of sociology in our day-to-day life

A TYPICAL DAY IN THE LIFE OF TARUN

Tarun is a medical practitioner in Metro Hospitals and Heart Institute, the largest Cardiac Care Centre at Meerut. On a typical day, Tarun gets up, prays and leaves his home at seven in the morning with his young son in tag to be left at a Day school and crèche. Before leaving, he checks his voice mail messages. While listening to the voice mail, he takes up his laptop, hooks to the printer and gets print outs of the e-mail messages from his patients. His wife is up earlier preparing for the day; she prepares the meal and is ready by eight in the morning to leave for her job with a bank. His wife checks her mail and put messages for her colleagues for day work.

After dropping his son at the school he heads for the hospital. He then proceeds to take round of the hospitals to see the progress of the patients. Recommends some change of medicines. He then moves to see patients in OPD, on way chats with the superintendent about some equipment and requests repair/maintenance of some. He then moves to OPD and sees patients till three in the afternoon. He has receives calls in between from other colleagues for clarification on same drugs to be administered. He also makes calls to consult on the line of treatment for some patients.

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At here he walks up to the Director to consult and discuss two cases which have come back with some complaint. They are under observation.

He then has coffee with colleagues and discusses the line of treatment of few patients admitted. At five he has to go and attend the Medical Association meeting on Cardiac cases. He makes a call to his wife to requesting her to pick up their son from school; she regrets her inability as she would not be able to get out before eight. Tarun then moves to pick up his son and tasking him along from school leaves him at his neighbour's place while he proceeds to attend the Medical Association meeting. He meets the Chairman. After meeting returns via the market picking up some groceries, which his wife had placed order of while leaving. His wife picks up vegetables.

At eight in the evening, they have friends calling on from different part of the city. Tarun requests them to join for dinner. After the departure of their friends, Tarun and his wife take little time with their son while checking mail on their respective laptops. He then makes a call to his parents and in-laws.

The life of a typical person living in modern society involves living with a **social structure** such as family**,** visiting **social institutions** (religious institutions), coping with **social change** (the society is constantly changing to meet the needs of the humans), and regular **social interaction** (at workplace and amongst the members of the society). It is important for everyone to have sociological perspective, which is the ability to see the social patterns that influence individual and group life, to lead a happy and successful life.

The history of social life with its vicissitudes and problems is as old as man-himself. Since the dawn of civilization, humans have attempted to resolve the problems when confronted with them in the company of other human beings. In ancient times, the Greeks had tried to study society scientifically. Plato's (427–347 BC) *Republic* and Aristotle's (384–322 BC) *Ethics* and *Politics* deal with the law, state and society of their times. Roman philosopher and author Marcus Tullius Cicero, through his work *De Officiis* (On Justice), took the Greek learning of philosophy, politics, law and sociology to Rome and the Western World. The most famous work on society in India is Kautilya's *Arthasastra*, a complete treatise on practical and theoretical economics, politics, sociology, and law of the period. Many centuries later, Abul Fazal composed *Ain-e-Akbari* (Institutes of Akbar), in which he describes the social norms, including Hindu law, during Akbar's reign. In Persia, the greatest social reformer was Zoroaster (born around 660 BC), who tried to abolish the lawlessness, oppression of the labourers and ill-treatment of priests. Abd-al-Rehman ibn-Kaldun (1332–1406), one of Islam's best-known social thinkers and believed to be the real founder of science of sociology, writes about the rise, decay and fall of states in his work, *Muqaddamah.* He states that social change is a result of geographic and climatic factors and psychological forces which influence *asabiyah* or the spirit of group loyalty.[1]

What is Sociology?

"Sociology is an attempt to account for the origin, growth, structure, and activities of society by the operation of physical, vital, and psychical causes working together in a process of evolution."

—*Professor Giddings*

Sociology is the science of studying people, social relations, institutions and society. Industrial sociology is a more recent stream of study and research in the field started around 70 years ago. It is the application or development of principles of sociology relevant to the industrial mode of production and the industrial way of life. It deals with the study of work, organizations, careers and the relations of workers and organizations with the community and society.

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WHAT IS INDUSTRIAL SOCIOLOGY?

What is Industry?

'Industry' seems to be a concept with no direct sociological meaning. The term 'industry' has been taken over from commonsense language and has been used mainly in two ways: a synonymous with factory; and as covering any large scale employment of 'labour' and 'capital'.

Industrial sociology is a field of applied sociology that focuses on industry and deals with issues like productivity, motivation and unionization. Broadly defined, 'industry' is factory or a field that covers any large-scale employment of labour and capital.

Industry according to the Webster Dictionary, is 'any department or branch of art, occupation, or business; especially one which employs labour and capital and a distinct branch of trade.' In economics, it is defined as 'systematic labour or habitual employment.' The Indian Government, in its census, follows the same lines and classifies every field of full-time work as industry, including public administration, professional services, education, and private household work etc.

Thus, industry can be defined as 'an organized group held together through interactions and interrelations as facilitated by the system and organization, for the purpose of allowing it to nurture, defend and survive.'

Industrial Sociology—An Empirical Discipline

Industrial sociology is an empirical discipline, which means that the conclusions are based on careful and systematic observations. Empirical observations, to be useful, must be gathered and recorded rigorously and sociologists must re-examine their assumptions and conclusions constantly.

Definition There is no agreed definition of the focus and scope of industrial sociology. It can be defined as 'the science of industrial society', 'the scientific study of industrial society', or 'the science of social phenomena in industry'. In a review of early teaching of the subject, Smith (1961) called it 'the study of the social system of the factory, and of the influences external to the factory, which affect the system' or 'the study of social relations as they influence and are influenced by economic activity'.

Definition of Industrial Sociology

Industrial sociology is a 'body of knowledge which would record and organize experience in human association in the industrial community'.

—Mary Van Kleeck

Mary Van Kleeck defined industrial sociology as the 'body of knowledge which would record and organize experience in human association in the industrial community'. The industrial community is a 'group with a common interest in production, including agriculture, mining, manufacturing and mechanical industries, the productive forces used in all these processes, and the services, such as transportation and communication, which make products available for ultimate consumption'. In this book, we shall use this definition by Mary Van Kleeck.

Aim of Industrial Sociology

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Industrial sociology aims at presenting an integrated account of how the disciplines of sociology work and how industry can contribute to our wider under-standing of the variety of work practices and institutions which exist in modern societies.

The aim of industrial sociology is to present an integrated account of how the disciplines of sociology work and how Industry can contribute to our wider understanding of the variety of work practices and institutions which exist in modern societies. It provides us with a range of insights–concepts, ideas, theories and research findings which help us understand these activities in the context of the broader social and cultural arrangements in which they occur.

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Work Work is an activity in which everybody in the world is involved. People may work in an office or a factory and may return to do their housework or to work in their garden. Even those who do not perform any of these labours are working; as owners of land on which other people work, as investors in industrial enterprises or as employers. To understand the way of life of people living in a society we have to pay close attention to work activities and to the institutions associated with those activities.

SOCIOLOGICAL PERSPECTIVES

Industrial sociology can throw up some disquieting facts and data that can challenge familiar ways of thinking. Consider the following:

- Brahmins may be a 'model' in Indian society but poverty among them is on the increase in recent years.
- The average income of women has risen in India as it has in the US. Still, women with college degree, on average, earn less than men with the same qualifications (for the US details, see DeNavas-Walt, et al. 2006).[2]
- Untouchability has been officially banned but there are instances of it being reported regularly.

These facts provide unsettling evidence of persistent problems in India, which exist in society and not just in individual behaviour. Industrial sociology thus tries to reveal social factors that shape and determine the chances of success for different groups.

Sociological Imagination

Mills (1916–1962) defined **sociological imagination**[3] as the ability to see societal patterns that influence the individual as well as groups of individuals. He argued that sociology should be used to reveal how society shapes our lives.

Sociological Imagination
Mills defined *sociological im-agination* as the ability to see societal patterns that influence the individuals and group of individuals.

What are Sociological Perspectives?

Sociology states that the social experiences of people are the underlying cause of their behaviour. Sociological perspective stresses the broader social context of behaviour by looking at individuals' social location, i.e., employment, income, education, gender, age, and race, and by considering external influences, i.e., people's experiences, which are internalized and become a part of a person's thinking and motivations. This perspective enables us to analyse and understand the forces that contribute to the emergence and growth of the global village and our unique experiences in this village.

How does Self Interplay with Society?

All human engagement with the world, in the form of action, thought, perception, belief, feeling is perspectival in character. No stance on any issue can be taken without standing somewhere, and the how the issue looks depends heavily on where we are standing. Knowing how specific social forces affect our lives helps us prevent ourselves from being damaged by its consequences.

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In his famous essay, 'On Liberty', John Stuart Mill wrote:[4]

It will probably be concealed that it is desirable that people should exercise their understanding and that an intelligent following of customs, or even occasionally, an intelligent deviation from custom is better than blind and simple mechanical adhesion to it.

DEBUNKING IN INDUSTRIAL SOCIOLOGY

The power of sociological thinking is that it helps us see everyday life in new ways. Sociologists question actions and ideas that are usually taken for granted. Peter Berger called this process *debunking*, which means looking behind the facades of everyday life or the 'unmasking tendency' of sociology.[5] In other words, sociologists look at behind-the-scenes patterns and processes that shape behaviour in social order.

KEY INDUSTRIAL SOCIOLOGICAL CONCEPTS

The concept of organization implies an interrelationship among parts or elements or among persons. Thus, one person's position places him in a definable relationship with other persons. *Structure, institutions, change*, *interaction* and *relations* are concepts that are fundamental to grasping the sociological perspective.

Structure Structure is an organized pattern of social relationships. Social structure is not a 'thing' but refers to the fact that social forces, not always visible to human eye, guide and shape human behaviour. An industrial plant has 'social structure' or a network of reciprocal rights and obligations, supported by sentiment and formal rule. Structure and institutions together constitute society in an industry.

Institutions Institutions are defined as established and organized systems of social behaviour with a particular and recognized purpose. Institutions in industry confront an individual when he is appointed, and they transcend individual experience but still influence individual behaviour. Perhaps the most obvious among the possible modes of relationship between industry and society is that of the social life of industrial personnel and the bearing it has on their efficiency and morale.

Key Concepts of Industrial Sociology:
- Structure
- Institutions
- Change
- Interaction
- Relations

Change Industrial sociology is also involved in the process of social change—the changes or alteration in a society over a period of time.

Interaction Interaction is the behaviour of two or more people with each other. People react and change depending on the actions and reactions of others. Since society changes as new forms of human behaviour emerge, change is constantly happening.

Relations The production in industry is greatly dependent on better human relations. Elton Mayo, in Hawthorne Experiments, popularized the need for better human relations. In fact, social relations evolve wherever two or more people interact, and industry is no exception.

As you read this book, you will see that the key concepts–structure, institutions, change and interaction–are central to industrial sociological imagination just as they are to other studies in sociology.

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ROLE OF DIVERSITY IN INDUSTRIAL SOCIOLOGY

India, like the US and UK, is a land of diverse cultures and people. 'Unity in Diversity' has been the essence of the growth of Indian culture. Analysis of diversity in industry is one of the central themes of industrial sociology. Diversity includes studying group differences in society's opportunities, the shaping of social institutions by different factors, the formation of group and individual identities and the process of social change. There are numerous sources of diversity such as caste, class, religion, gender, age, nationality, sexual orientations and state/region of residence, among other factors. Understanding diversity is crucial to understand society because patterns of social change and structure are increasingly influenced by diverse group experiences.

GLOBAL PERSPECTIVE

Global perspective helps us to see how events occurring outside our borders impact us. The social and economic system of any society is increasingly intertwined with those of other nations. With increasing ease of travel and telecommunication, global perspective is necessary to understand the change both in India and other parts of the world. The recent recession in the United States and European Nations economy had a direct impact on the pattern of employment and pay structure in India.

SCOPE AND IMPORTANCE OF INDUSTRIAL SOCIOLOGY

The importance of industrial sociology lies in the world of work, patterns of industrial structures and economic processes, which shape our personalities, social identities and lifestyles. In a traditional and agricultural society, the multi-functional organization is standard. Productive activities are influenced by family obligations, religious rituals and even political controls.

We live in an industrial era and almost everything we buy or consume is directly or indirectly a product of the machine process. Most grown-up men hold a job or 'position' and do not own trades, farms or businesses. They work for an employer, who may be an individual, a corporation or government agency.

Miller and Form of Michigan State College state that industrial sociology embraces all work relations, both within and outside of work plants. The goal is to penetrate into this vast network of social relationships, and find the underlying uniformities which characterize this area. The four main areas of study are:

- Social organization at work plants/sites
- Social adjustment of workers
- Relation of the work plant and the worker with the local community
- Relation of the work plant and the worker with society.

For some time, sociologists have studied areas slighted by other social sciences discipline:

- Industrialization and urbanization
- Poverty, crime, and family breakdown
- Social transitions associated with migration, especially from the rural to urban areas
- Globalization

Most of these problem areas are inherently interdisciplinary. For example, one cannot study crime without considering the politics that define crime or the economics that create joblessness. It is also important to

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note that the other social sciences are now more interested in these topics and they are receiving much more attention within each of the social science disciplines and professions.

NATURE OF INDUSTRIAL SOCIOLOGY

Industrial sociology is both a science as well as an art. It is a science because it involves objective and systematic methods of investigation and evaluation of social reality with empirical evidence and interpretation. But it also includes several social and physical sciences such as economics, psychology and rural sociology. Industrial sociology can be summarized as 'the art of dealing with the problems of industrial life'. Just as the technology of bridge construction involves not only mechanics, but also metallurgy, geology, meteorology and other disciplines. Industrial sociology pushes other fields to adopt broader perspectives, such as the extension of ergonomics (mainly in the field of physiology and industrial medicine) to a 'labour science' (*Arbeitswissenschaft*), which apart from the physical sides of work organization, also addresses issues of qualification, self-development, long-term safety, etc. in didactic manner.

Industrial sociology is both dynamic and static. Dynamism in industrial sociology is the development or progress while static refers to relationships.

WHAT DOES THE STUDY OF INDUSTRIAL SOCIOLOGY NECESSITATE?

Industrial sociology entails the study of the origin of society, social activities in industry, social forms in industry, organic conception of industry, forces that tend to organize and perpetuate industry and the laws controlling social activities.

Origin of society Industrial sociology begins with a study of social origins. Industrial sociology is strengthened by the study of the primitive social institutions and processes. Many present-day social institutions and processes can be understood better with knowledge of those ancient ones from which they have developed.

Social activities in industry Historic development is of much value as groundwork of industrial sociology; nevertheless, the real work of the science is with the forms and activities of a completed society. The operations of the various departments of government, educational and religious institutions, social and philanthropic groups, and organized industrial groups, must come under the close scrutiny of the student.

Social forms in industry It is impossible, however, to treat social activities without treating its structure. In development of all social groups, the function or the action always precedes the formal organization. The labour union, for example, would be treated as an organization composed of a group of individuals chosen in a specific way for a definite purpose.

Organic conception of industry In early history of industrial sociology, sociologists who attempted to put new meaning into old words succeeded better in making a clear exposition of their science than those who attempted to coin a new terminology.

Forces that tend to organize and perpetuate industry Part of the work of industrial sociology is a consideration of the forces which are in operation in industry. What causes mankind to associate in groups? What forces brought about the establishment of the industry? What are the forces that give rise to the people to industries and carry on working in plant? These are questions that must be answered by the sociologists.

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Laws controlling social activities If we search for any regulating law, we shall discover, among others, that human beings seek to obtain the largest possible return from least effort. One of the specific services of industrial sociology is to discover these laws and to formulate them.

Psychic factors in industrial social organization There are influences of psychical nature that compel human beings to cooperate and combine and are among the chief causes of the creation of organization. All organizations represent the 'feeling, thinking and living together' of people and these elements are the most constant and permanently found in industry.

Survival of the best in industry The adaptability of an individual to his/her physical environment is similar to the adaptability to people in industry. Those who cooperate survive and those who fail to do so perish.

Telic process of industrial organization As individuals become more unified in sentiment, thought and action, social consciousness develops and personnel in industry recognize their collective power. To a large extent, industry has been created by the effort of each individual to follow his personal desires related to himself and his fellows, regardless of any attempt to build the structure of society.

Scientific nature of industrial sociology The idea of scientific research is to acquire objective knowledge, free of bias and prejudice. The proper method of science is to constantly test the explanatory propositions by matching them against facts, whether obtained experimentally or empirically. In this context, Industrial Sociology is a science because it fulfills the basic requirements of objective and rational knowledge of social reality and applies scientific methods. Industrial Sociology has the following characteristics of science.

Value Keeping and Original Culture

John Berry et al. 2002 presents a heuristic paradigm in which he considers the degree to which individuals value keeping their original cultural orientation and the degree to which they find it valuable to maintain a relationship with the second culture. Those individuals who wish to preserve their culture and also relate to the second culture 'integrate'. Those who do not value preserving their original culture and value the relationship with the second culture 'assimilate'. Those who value their culture and do not care for the second culture tend to 'separate'. And, finally, those who do not value either culture become 'marginalized'.

It is theoretical. The main aim of Industrial Sociology is to interpret and to inter-relate sociological data in order to explain the nature of social phenomena and to produce hypotheses whose final validity can be checked by further empirical research.

It is empirical. It is based on observation and reasoning, not on supernatural/speculative revelations and its results are proven. All aspects of sociological knowledge are subject to evaluation and can be put to test for empirical evidence.

It is cumulative. Industrial sociological theories are built upon one and another, extending and refining the older ones and producing newer ones. Theoretical integration is the goal of Industrial Sociological formulations.

It is non-ethical. Industrial sociologists do not ask whether particular social actions are good or bad, they seek merely to explain them. Study of human relations is the prime consideration in industrial sociology. In this context, Morris Ginsberg observes that ethical problems should be dealt with neutrality.

The above discussion represents the complexities of industrial society that must be deal with. Social facts of all kinds must be considered, arranged and classified to deduce the universal principles relating to the growth and activity. Industrial sociology is the most difficult of all the social sciences as, today, it represents the results of studies of different scientists, sometimes along parallel lines and

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in other instances, along converging lines. Industrial sociology will become a compact, well-defined science when sociologists are able to generalize the truths discovered by approaching social phenomena from various points of view and agree to the subject matter and method of treatment.

Positivist Approach and Industrial Sociology

- Researchers and sociologists see industrial sociology as equivalent to physical sciences as similar procedures can be used.
- They see industrial sociology as an objective reality.
- They seek explanations in the forms of general theories or 'covering laws', which can used to make predictions.

INDUSTRIAL SOCIOLOGY AND COMMON SENSE

To many laypersons, the theories and findings of industrial sociology are commonly known, and hence research is thought to be a pointless exercise. Common criticisms of industrial sociology are given below:

(a) Industrial sociology is little more than common sense. All findings and theories are unsurprising, uninformative and even tautological.

(b) Industrial sociology debases common sense. It takes every simple, common sense idea and makes it difficult by the use of jargon.

(c) Industrial sociology is often wrong. Its description of people and processes are simply not true.

(d) The ideas and practices of industrial sociologists make them cynical manipulators of employees and have political agendas.

Philip Brickman (1980) points out because social science, particularly industrial sociology, returns its findings to the general culture in media reports, through articles in business magazines and seminars, they are apt to become more familiar and 'commonsensical' overtime.

Many critics even claim that industrial sociology and its parent disciplines of psychology, sociology and anthropology are simply common sense. However, it is fairly easy to demonstrate this is untrue and show how ideas, theories and methods percolate down to people. The media reports on issues of daily happenings and highlight them to sway opinion.

INDUSTRIAL SOCIOLOGY AND JOURNALISM

A closer look at the genesis of journalism and sociology shows that both are contemporary, virtually simultaneous streams, which grew as a response to the overwhelming challenges of modernity, increasing industrialization and the development of urban centres.

The emergence of sociology and journalism in the 19th century substantiates the fact that a world full of complexities and in permanent transformation posed demanding questions that needed answers to give it consistency and meaning. Once called the 'science of society', sociological inquiry elaboration of some arena of behaviour in social networks, reflecting 'any general interest of social processes'.[6,7] Besides its study of common aspects of people, it carries out studies of four other aspects:

(a) A debunking motif, by which sociology sees through the facades and backstage of social structures

(b) A study of organizations, institutions, and structures

(c) An interest in cosmopolitanism

(d) An insistence on 'relativism'[8]

Journalism

Thomas Connery (1990, 4) noted that journalism was 'fuelled by a cultural need to know and understand a rapidly changing world'. Thus, journalism, in its broader concept, is a means of understanding the intricacies of the contemporary modern world.

Central to each aspect is a focus on people, particularly as they organize themselves into groups with systematic patterns of interaction. Sociologists examine social conduct in number of ways. They perform an anthropological function, showing people of one culture how it is to live in another culture. They identify complexities of social systems, dressing the simple and the everyday in complex frame works, target the unintended, latent, and accidental consequences of everyday activities so as to make those consequences manifest.

Journalism that emerged in post 19th Century is what Matthew Arnold called New Journalism. It walked hand-in-hand with the sociological study and depicted urban life with meticulous research that involved methods used by social scientists. A clear distinction between literary journalism and sociology is thus blurred in the topics analysed and the methods used to produce information are concerned. Journalists created public awareness on social problems. Michael Schudson[9] writes: "reporters of the period, saw themselves, in part, as scientists uncovering the … facts of industrial life more boldly, more clearly, and more 'realistically' than anyone had done before." They analysed causes and consequences showed problems of a collective society.

The Victorian reporters "aimed at a factual literature of modern industrial life. Their literary touches came less from artistic design than from the writers' sense of moral or political urgency; a determination to dramatize the reality of poverty, prostitution, and prejudice".[10] What we are stating is that journalism is not straightforward sociology but both disciplines intersect at an interstice that contemplates methods and an acute interest in the social body that calls for our attention. Journalists are proto-social scientists uncovering the risks lurking in a modern, industrialized and urban society marked by its duplicity. Industrial sociology, which studies industry and its impact on society, and journalism are similar.

The significant overlap in the roles, perspectives and interests of journalists and social scientists calls for increased communication and cooperation between the two. Both groups are interested in observing the external world, and both disciplines try to describe reality. Both share an empirical base to support conclusions.[11]

There is, however, one crucially important difference between industrial sociology and journalism—the lack of a systematic theory and method. The members of every culture share a particular world view and a particular ethos. Journalists evaluate through the prism of their own cultural orientation, usually without being aware that they are doing so. Like most people everywhere, journalists tend to be ethnocentric. To compound the problem, few journalists are knowledgeable about the processes and causes of socio-cultural phenomena, even though they report on human social behaviour.

Figure 1.1 illustrates components of sociology of work and industry.

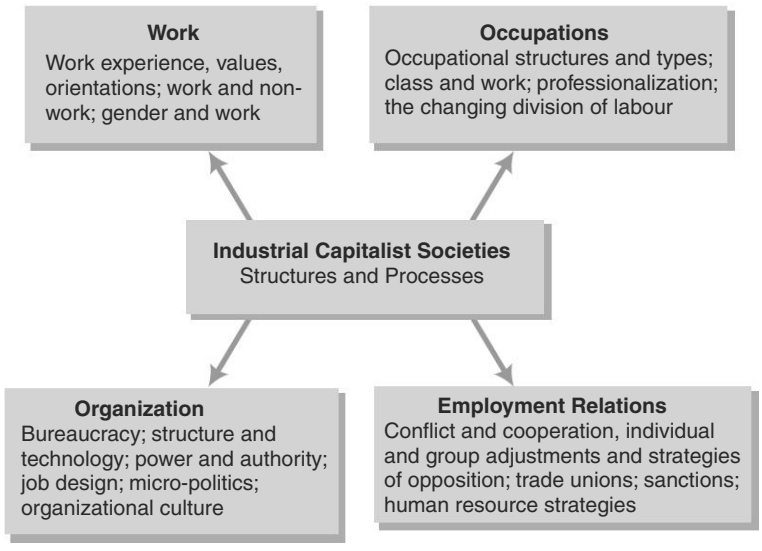

FIGURE 1.1 Components of sociology of work and industry

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DEVELOPMENT OF INDUSTRIAL SOCIOLOGY

The subject of industry and the relations between those who manage and those who perform it is as old as human civilization. It is only in last 200 years that these matters have become objects of significant concern of government policy, and in the last century, they have emerged as a separate well recognized area of study in educational institutions and for research.

The phenomenon of relationship in industry and its impact on society are found in countries where people work for others in paid employment and Industrial Sociology is studies these phenomena and solves problems that arise from them. It is one of the possible ways to produce and organize knowledge and it has a unique frame of reference, its own theories and concepts, techniques and practices and ideological commitments (see Table 1.1).

TABLE 1.1 Analytical Narratives in Industrial Sociological Analysis

Meta Narrative/ Interpretative Framework	*Major Problem*	*Perspectives*	*Contextual Issues*
Rationality	Order, efficilency	Scientific management, Decision Theory Taylor, Fayol, Simon	From night watchman to industrial state entrepreneurial capitalism
Integration	Consensus/Group Functioning	Human relations functionalism, contingency and systems theory Durkheim, Mayo, Parsons	From entrepreneurial capitalism to welfare capitalism
Situational	Action	Orientation to work, action approach, Goldthorpe Balckburn and Mann	Managerial capitalism
Power	Conflict Domination	Neo radical Weberians, structural Marxism, labour process, institutional theory, Weber, Marx, Baldamus	From liberal collectivism to bargained corporatism
Knowledge	Deskilling	Technology, Structural, Work simplification, Actor Network Theory, Braverman, Foucault	From Industrialism to modernity
Justice	Participation	Business Ethics, industrial emocracy, participation, critical theory Habermas	Participatory democracy

Industrial sociology was born in the United States in the late 1930's and spread to other countries over the next decade. It slowly spread to other countries. However, its roots however go back to the dawn of the Industrial Revolution in Great Britain.

It attempted to study the forms and functions of the division of labour, the nature and experience of industrial work, the characteristics of large-scale bureaucratic organizations, and the changing nature of society under continuing industrialization. There are two important contributions to the early development of industrial sociology:

(a) The Hawthorne Experiments, a programme of research at the Chicago plant of the Western Electric Company between 1927 and 1932.

(b) Elton Mayo[12] who popularized the findings of the above experiments and drew conclusions from them about the need for better human relations in industry.

The period immediately after the Second World War, the theoretical basis of industrial sociology, broadened and drew from the perspective of **structural-functionalism** and the insights of Max Weber on bureaucracy.

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Functionalist sociology led to the concept of industrial organizations as 'social systems'; the emphasis on technology contributed to the notion of the organization as an 'open socio-technical system' independent social, technological, economic and psychological dimensions.

Developments in the study of industrial organizations have placed emphasis on technology but have elaborated other aspects known as **contingency theory**. This advocates the need of the organization to meet the exigencies of its environment such as the product market, technical and market change and government legislations.

The next phase came when Goldthorpe and his colleagues[13] criticized both 'human relations' and the 'technological implications' approaches. They advocated the **'action approach'** and emphasized the importance of 'the definition of the situation' of those involved. Blackburn and Mann[14] have shown that only rarely do manual workers have both strong simple orientations to work and adequate knowledge and opportunities for choice, which enable them to select suitable jobs.

Many industrial sociologists assert that conflicting interests are inherent to social relations in employment in industry. These conflicting interests led to trade unions, collective bargaining between management and unions, conciliation and arbitration, shop floor struggles, fair relationship between pay and work and so on.[15] A more recent contribution is the emphasis on 'capitalist labour process', which refers to 'labour power' applied to materials and equipment to produce new value in the form of commodities. Within a capitalist economy, it is assumed that workers do not receive the full value of their labour and the 'surplus value' is appropriated by their employers, though this is concealed through wages which appear to represent a 'fair's day pay for a fair day of work'.

Harry Braverman[16] argued that within the capitalist mode of production, there was fragmentation and 'deskilling' by employers to cheapen the cost of labour power and give the employer greater control over the process. Thus, 'machinery offers the management an opportunity to do work by wholly mechanical means, which it had previously attempted to do by organizational and disciplinary means'.[17]

PLACE OF INDUSTRIAL SOCIOLOGY AMONG THE SOCIAL SCIENCES

Industrial sociology is the most recent among the social sciences to deal with the general laws which apply to an entire society.

Scope of social science has been to help in increasing and improving gradually the range and depth of human understanding into the workings of nature and man. Social sciences pertain to the scientific methods and techniques used to understand society and human behaviour, each dealing with a different aspect. The uniqueness not withstanding there is also an underlying thread of unity among the various social sciences. Lowry Nelson[18] writes: "Yet in spite of the division and subdivision of social science there are a fundamental unity of purpose and a growing unity in method and point of view… Rural sociology, as the scientific study of rural society, should certainly avail itself the approaches, methods and techniques of all other social sciences, in so far as they may be useful in understanding and describing the society."

Industrial sociology and sociology Industrial sociology is a part of sociology, which studies the industrial setup and its impact on the social life of the workers and society. Its specialized task is to make an intensive and extensive survey and investigation of an industrial set-up. To illustrate how the two disciplines differ, consider this: the study of slums in cities is in the gambit of sociology, while the study of absenteeism in industry will be part of industrial sociology. Thus, while sociology is generic, industrial sociology is a specialized discipline.

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Industrial sociology and anthropology Industrial sociology and anthropology are synonymous since they occupy same conceptual territory, focus on the same institutions and rely on the same concepts. Anthropology, in its broadest sense, is the science of man—physical, intellectual, and social. It studies the primitive man, his activities and ancient society. Anthropologists conduct research in other cultures, employ the technique of participant observation (collecting qualitative data) and advocate comparative (especially cross cultural) analysis. industrial sociology, on the other hand, discusses the behaviour of human under an industrial environment and relies on historical development of industry.

Industrial sociology and political economy Industrial sociology emphasizes the specific institutional forms in industry while economics focuses on self regulating characteristics of the market. As economic process develops in society, it influences the social life of man.

While political economy works in a specific area, industrial sociology works in a social field. Political economy has to do with the wealth phase of social life, both in the past and the present while industrial sociology deals with the general laws that control the entire structure and activity of industry.

Industrial sociology and political science Political science is the science of government, which includes the classification and study of the methods of local, state, and national governments or, in India especially, the interpretation of government and methods of administration. It studies the theory of politics, the development of the state, and state craft as a social institution. The state is a structure within which are other lesser societies such as the family or the commercial world. But as a social group and an institution, the state is also object of sociology.

Giddens[19] writes about the correlation between these two branches: "To teach the theory of the state to men who have not learnt the first principles of sociology is like teaching astronomy or thermodynamics to men who have not learned the Newton's Laws of Motion".

Statistics in industrial sociology Industrial sociology is a subset of sociology dealing with industry and its associated social actions. Industrial sociologists use quantitative methods of social research to describe large patterns in social relationships and in order to develop models that can help predict social change and how people will respond to it. Other branches of sociology believe that qualitative methods—focused interviews, group discussions and ethnographic methods—allow for a better understanding of social processes. Both approaches are complementary and results from each can fill in results from the other approaches. For example, quantitative methods can describe the large or general patterns, while the qualitative approaches help to understand how individuals understand or respond to those changes.

Although not all industrial sociologists do quantitative research, basic statistics are important in interpreting sociological results. To say that 90 per cent of Indians work in the unorganized or informal sector means that for every 100 Indians randomly selected from the whole population, 90 would be working in the unorganized sector.

Industrial sociology and history Sociology requires a strong historical awareness since history deals with the details of evidence, while sociology deals with general laws and principles. History narrates various facts on the rise and fall of the Gupta kings, but sociology focuses on how these events lead to some general truths relating to the origin or progress of society. For instance, recent history represented by Romilla Thapar's[20] writings in contrast with Mukherjee, deals with the social causes and effects of nation building and furnishes general concepts concerning the development of groups of societies.

Industrial sociology, psychology and biology Biology studies the complete individual unit and seldom goes beyond this. Its object is to show the origin and development of life in all of its various forms and

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pursues the history of the individual from the first protoplasmic germ to the completed organism. On the other hand, psychology deals with the mental powers and habits of the individual, with the aim of discovering normal and abnormal action of the mind. These two sciences dealing with the single individual completed their scientific investigation once they discover and classify all the phenomena concerning the individual. Biology does touch upon some phases of social life influenced by biological conditions, while psychology branches out occasionally into social psychology for the purpose of interpreting individual characteristics. But neither stream focuses on systematically presenting the phenomena of social life. Industrial sociology deals with the association of the bio-psychical units; it does not inquire into the growth of the individual but studies the phenomena arising from his/her association with his fellow human beings.

Figure 1.2 shows contribution of various behavioural sciences to industrial sociology.

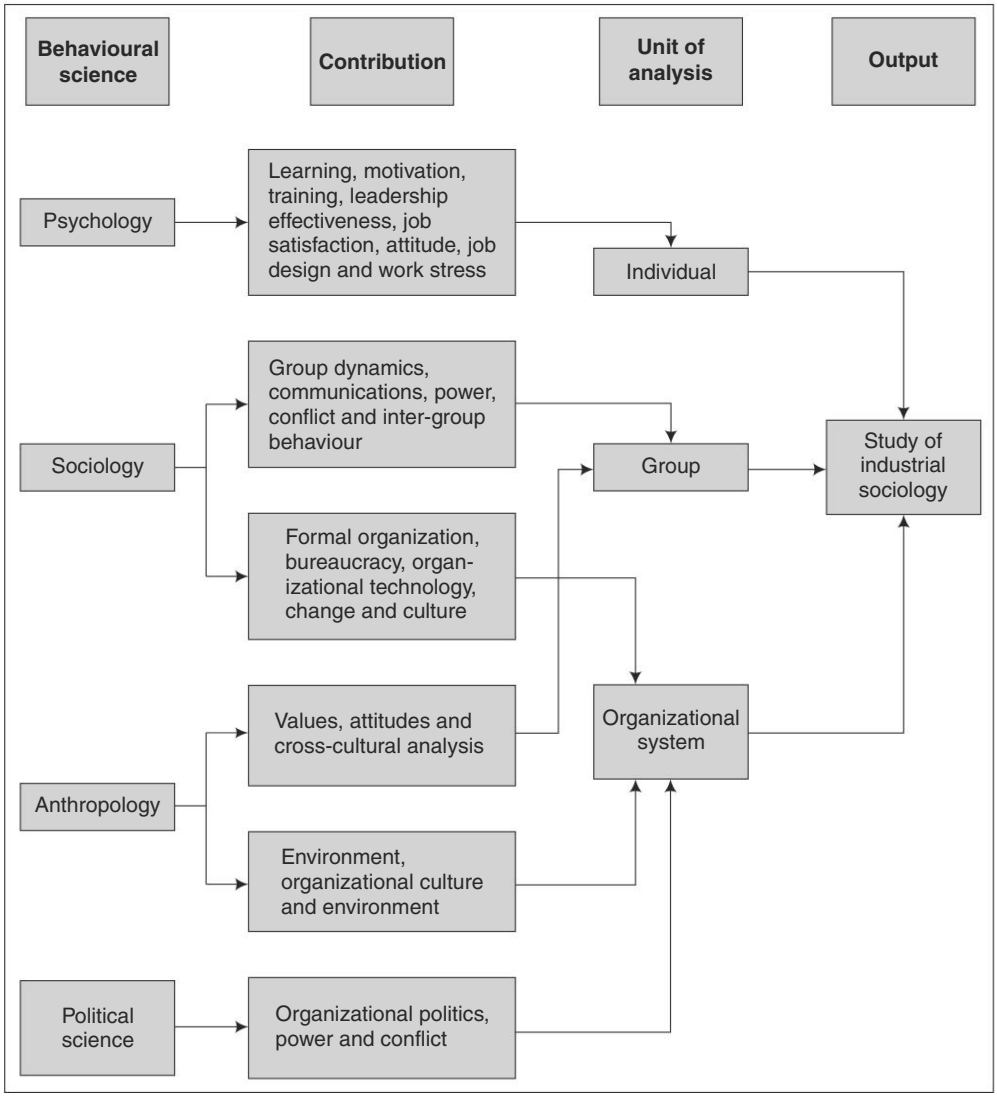

FIGURE 1.2 Contribution of behavioural sciences to industrial sociology

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Pedagogic limits of industrial sociology Industrial sociology should have a definite boundary and should not attempt to displace or absorb political economy, ethics, political science or any other established social science. Amitai Etzioni[21] laid these boundaries by stating that "industrial sociology is a field of applied sociology, and has grown mainly out of interest in issues such as productivity, motivation and unionization. It is concerned with roles, and with the processes of interaction, communication, and authority, that are specialized in serving specific goals." It is an independent science with a separate existence and its own methods of investigation although it obtains data from economics, politics biology and psychology, and yet these disciplines cannot be included within the scope of industrial sociology.

Formal and Informal Relations

- Formal relations are sanctioned by law, statutory provisions or custom.
- Informal relations are spontaneously arise everywhere an individual interacts or lives in a group.

Foundation of industrial sociology One of the discoveries of modern times is the realization that industry is eminently a social organization. Industrial sociology is concerned with social relations and their bearing on industrial phenomena such as productivity, morale and functional authority. The relations in industrial society could be internal (existing within a plant or one conglomerate or group) or external (those which exist between the industry or a plant and society at large).

Internal and External Relations

- The Internal are those existing within a plant or one conglomerate or group i.e., existing between management, employees or both.
- The external relations are those which exist between the industry or a plant and society at large.

The relations could also be formal or informal based on an individual's performance of duties. Formal relations are sanctioned by law, statutory provisions or custom. Informal relations spontaneously arise everywhere an individual interacts or lives in a group. These are hardly officially regulated and are sustained by the common rules of social behaviour and ethics.

Some authors have also coined a term 'mixed relations', to describe relations that may arise due to the nature of duty performed by an individual, but may or may not be managerial or supervisory in nature. However, it should concern performance of duties.

INDUSTRIAL SOCIOLOGY AND OCCUPATIONAL SKILLS

Most employers are interested in four types of skills: the ability to work well with others, the capacity to communicate fluently, the skill to solve problems and the ability to analyse information (cognitive skills). With information technology revolutionizing the office, information analysis skills are becoming more and more important to employees, employers and managers. The level of each skill can be improved through a broad liberal foundation of sociology (American Sociological Association, 2007).

SUMMARY

By the late 19th and early 20th century, the world saw large-scale organizational units where economic, social and political life became complex. The society started investigating the causes and methodologies to improve life. The work shifted from home to large factories for wages. It was at this time that the field of industrial sociology took its birth. Initially, journalists used to take up the responsibility of reporting social changes. However, the sociologists soon began to undertake the research regarding industrial sociology, especially after Hawthorne experiments and the awakening of the human relations as a factor for improved performance at work.

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This chapter gives an insight into the evolution of industrial sociology as a distinct field with its own scientific principles and emphasizes that industrial sociology is not just common sense but also has principles and scientific methodologies. The subject is highly dependent upon other disciplines such as anthropology, political science and history. Hence, the chapter presents a comparative analysis of various disciplines of social sciences and industrial sociology and highlights the differences between them.

KEY TERMS

Action approach
Contingency theory
Functionalist
Global perspective
Industry
Industrial sociology
Occupation
Organization
Sociology
Sociological perspective
Structural functionalism
Work

REVIEW QUESTIONS

1. Give an account of origin and development of industrial sociology.
2. 'Industrial sociology is the science of industrial society.' Discuss.
3. Make a summary analysis of the sociological methods of study.
4. What is industrial sociology? Write in brief about the nature and scope of this.
5. Make a comparative analysis of political science, economics and industrial sociology.
6. Describe anthropology and its various branches including 'cultural anthropology' and 'social anthropology'. How do they differ from industrial sociology?
7. Most of the aspects discussed by industrial sociologists are just day-to-day issues of common sense. How do you think industrial sociology is a different study and not just common sense? Discuss.
8. 'Industrial sociology has been criticized as being just journalism.' Do you agree with this statement? Discuss.
9. Define the relations between social sciences, including economics, social welfare and management?
10. 'Industrial sociology is a substantive area of general sociology which might more accurately be termed as sociology of a work organization or the sociology of economy' (Miller and Form). Discuss.
11. What is debunking? How is it important for the study in industrial sociology?
12. What are the essential characteristics of a sociological way of thinking?

PROJECT WORK

1. Visit the head office of nearby colleges/institutions and note the various activities that are taking place in the office (with special reference to what has been discussed in Chapter 1). Be prepared to present the activities under the following five heads:
   (i) Structure
   (ii) Institutions
   (iii) Change
   (iv) Interaction
   (v) Relations

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2. Write a short paragraph identifying a social issue that interests you. This paragraph should include the details regarding the personal troubles that this issue generates, the people who are most affected by the issue you have identified and how it affects them in personal way.

   After you have done this, write a paragraph in which you move beyond thinking about the personal to some of the social origins of the problems. Then, using an example, explain how personal biographies are linked to social and historical context in which the individual lived.

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CHAPTER TWO 2

Theories and Movements: Industrial Sociological Perspectives

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- Functionalist approach
- Contingency theory
- Action theory
- Conflict theory: theory of exploitation, Labour theory of value and Theory of surplus value
- Weber–social action strand
- Symbolic interactionist, feminism and ethnomethodology
- Theory of modernity and modernization
- Rationality and its limit
- Critical theory, postmodernism and post-structuralism

GENDER PRAISE ADDICTION

The concern of some of the physicians and surgeons to keep the nursing staff content through 'love' and 'flattery'; and the continual flow of praise and thanks exchanged in compliance of orders—all of these elements of the position tend to make some nurses addicted to praise. The majority of nursing staff are female and hence the physicians and surgeons were extra-cautious in their behaviour towards them keeping in mind the social imperatives imposed by the Indian society. This was amply exhibited at the Metro Heart Hospital and Institute. Praise was reinforced by the insulation of most of the female nurses from responsibility and criticism; their power was only reflected, the skills they most exercised were minimal, and authority and discretion were retained by the physicians, surgeons and the Resident Medical Officers. Thus, many years in nursing job, especially at Metro Heart Hospital and

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Institute, tended to make the nursing staff incapable of functioning without their dose of praise. It also tended to make some of the Resident Medical Officers wish to avoid situations where they would have to take steps that would result in criticism rather than appreciation. The principal work orientation of nursing staff involved trying to please and being praised in return.

Sheila, a nurse with the Metro Heart Hospital and Institute, was a victim of praise-addiction. Though happy as a resident nurse and well respected for competence, she accepted promotion as Senior Nurse in ICU because she thought she should try it. However, after a year, it was clear to her and people around her that she would not be able to take the pressures of the new job. Her nervousness resulted in her falling sick, and she requested she be returned to her old job. In the job of Senior Nurse in ICU, she had supervisory responsibility and had to make split decisions, 'sulking' afterwards whether she had made the right decision. She especially was unable to tell other nurses to perform a function and if someone was not appreciated she felt bad. The Physicians and Surgeons were taken aback as she was very efficient and could do work at great speed.

Why did she fail as a Senior Nurse in ICU when she was given responsibility?

It is imperative that we understand the need for work and its social connotations to ensure that there is excellence and happiness in performing functions allotted in an industry. To come up with terms to this problem, the students interested in the social analysis of industry need to appreciate just how the discipline is fragmented into both theoretical traditions and substantive areas of study. To help this, it is convenient to recognize the following things about industrial sociology:

- Industrial sociology tends to cover the five areas of study as shown in Figure 2.1.
- Industrial sociology has evolved with different views and the contemporary theoretical perspectives have grown around four ideas, viz. functionalist, conflict, symbolic, interactionist, modern and post-modern perspective (see Table 1.1, Chapter 1).

These sociological theories have been studied in detail by you. However, in this chapter we shall analyse their application in industry.

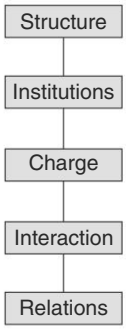

FIGURE 2.1 Five areas of study of industrial sociology

FUNCTIONALISM

Functionalism is the oldest, and still the dominant, theoretical perception. This perception is built upon double weights: applying scientific method to the objective world and use of a comparison between the individual and society. Here, function refers to the contribution by a part to the wider system of which it is also a part. Also, it is sometimes used as it is in mathematics. When it is said that social phenomenon 'X' is function of phenomenon 'Y', it means that 'X' varies in proportion to the variation of 'Y'. The functionalist theory highlights the basic functions of society which are limited and universal. According to this perspective, "social change involves structural change and not a change in the basic functions of social systems" (Ronald, 1976: 21).[1]

According to this, industry is seen as a system of *interrelated parts* in which no part can be understood in isolation from the *whole*. A change in any part is seen as leading to certain degree of *imbalance,* which in turn,

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results in changes in other parts of the entire system. Functionalism is based on the model of the organic system found in the biological sciences.[2] It talks of three states viz. *interdependence, equilibrium* (existence of normal state of affairs or state of equilibrium) and *homeostasis* (when all the parts of the system reorganize to bring things back to normal).

Core Premises of Functionalism

1. Order
2. System—Organization is like organic systems composed of parts
3. Functional Requisites—Maintenance of social system depends upon the existence of structures that perform the required functions system or requisites
4. Values and Emotions
5. Value Consensus—It is essential for social order.
6. Equilibrium

Functionalists focus on employment opportunities and the pay gap between individuals.[3] Davis[4] argued that social inequality is a result of the needs of the social system to give important jobs to the best qualified people. These people are in short supply and need training for such job and must be rewarded accordingly. This leads to social inequality.

The most influential American structural functionalist theorist is Talcott Parsons[5] who analysed the processes and structures that contribute to the stability of social system. He outlined basic four functions that are necessary for the subsistence of any social and non-social system.

(a) *Adaptation*. The system must adapt to its social environment.

(b) *Attainment of Goal*. Goal is to mobilize and allocate social roles and scarce resources in order to satisfy individual and collective needs.

(c) *Integration.* Integrate and harmonize various structures and their associated activities, norms, goals, and values.

(d) *Reduce Tension*. Institutions that fulfill this function are family, school and other social control agents.

The functionalist approach comes with positive and negative points of view, which see modern technology and social change as an intertwined and integrated process.

Spencer's Functionalistic Approach

Spencer believed that individuals should be allowed to pursue their self-interest and seek happiness as long as it does not infringe on others' right to do so. The role of the government is thus, minimalist, to provide public necessities and enforce the rule of law, particularly property rights and the sanctity of contracts. Division of labour creates social differentiation and interdependence, necessitating specialization and trade, while self-interest and competition are the coordinating forces in society that drive people to act. Individual groups compete for limited resources with the fittest emerging as dominant (social Darwinism). Spencer called this "the survival of the fittest".

Henry Fayol's 14 Principles

Henry Fayol, who is known as the pioneer of administrative theory, proposed five elements and 14 principles of administration--planning, organization, command, coordination, and enterprise. Organization, emphasized the structure of an enterprise. Fayol's 14 principles are: 1. Division of work; 2. Authority; 3. Discipline; 4. Unity of command; 5. Unity of direction; 6. Subordination of individual interest to general interest; 7. Remuneration of personnel; 8. Centralization; 9. Scalar Chain; 10. Order; 11. Equity; 12. Stability of tenure of personnel; 13. Initiative; 14. Espirit de Corps.

Scientific Management

F.W. Taylor (1856–1915), a United States engineer and consultant, was an advocate of working in systematic manner. His theory is known as 'scientific management'. He designed work-study, piece-rate schemes, and time and motion study, which uses scientific knowledge to provide the best way of organizing production to achieve efficiency.

Principles of Organization: Mooney and Reiley

James D. Mooney and Allan C. Reiley published Onward Industry, 1931. The framework of organization was based on four principles:

1. Coordination, unity of action
2. Scalar, hierarchical flow of authority
3. Functional, need for specialization
4. Staff, line represents authority and staff advice

Scientific management involves

(a) The scientific analysis by management of all tasks which need to be done for maximum efficiency

(b) Designing jobs by managers to achieve the maximum technical division of labour through advanced job fragmentation. Involves division of labour to allow for separation of tasks and functions

F.W. Taylor

(c) Use of time and motion studies to measure and describe work tasks

(d) Reduction of skill requirements and job learning time to a minimum. The tasks should be prescribed to the workers in minute degrees

(e) Minimizing material handling by operators and separation of indirect or preparatory tasks from direct or productive tasks

(f) Use of incentive payment systems, both to stabilize and to intensify worker effort

(g) Manager-worker relationships at "arm's length", a "minimum interaction model".[6]

The psycho-logistic assumptions of scientific management are best described in Taylor's *The Principles of Scientific Management* (1911)[7] by the concept of **'soldering',** described as "the natural instinct and tendency of men to take it easy". This, combined with people's economic interest and the failure of managers to design, allocate and reward work on a scientific basis, leads employees to conspire to hold production down. They do this to maximize their reward without the management tightening the rate.

Taylorism as Habermas[8] encapsulates this, calls the 'instrumental rationality', underpinning domination for material benefits.

DURKHEIM: THE DOMINANT TRADITION—HUMAN RELATION

Durkheim's influence is most apparent in the human relations, which concentrate on the imbalance between an individual's social needs and the requirements of a large-scale complex work organization.[9] Mayo was the most important contributor to this debate, arguing that groups were a key factor in social regulation (or its absence) as group values and norms determine individual conduct.[10] Durkheim emphasizes the 'pathological' state of industry, which results from a division of labour and leads to ***anomie***. "Anomie occurs when individuals have no unity of purpose of their work activity with the collective endeavour of society. This situation can be corrected by providing the individual with a moral awareness of the social importance of his particular role in the division of labour."[11]

Mary Parker Follett's: Principles of Organization

Mary proposed four principles in 1942; direct contact with people; early stages; relations with the situation; continuing process.

The first two principles emphasized the control, should be at lower level and have horizontal lines of communication. The third principle emphasized the 'auto-governed activity', which responds to the situation. The fourth principle emphasized continuous adjustments on process. She viewed management as a social process and emphasized the interaction of the leader with subordinates.

According to Durkheim, societal cohesion based on shared values arising from common positions is *mechanical solidarity* (Durkheim, 1984). He interprets this state of affairs as abnormal/pathological and as a transitory, temporary stage. As an organization increases in complexity, there is organic solidarity,

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which develops due division of labour. Individuals play more specialized roles and become dissimilar in their social experiences, material interest, values and beliefs. This loss of common rules and values leads them to lose a sense of responsibility or identity with the group.

The problem can be solved if capitalists and workers develop a new shared moral order that orients both groups towards common goals. New values emerge through participation in voluntary workplace associations that collectively organize work and prevent abuse, exploitation and overwork. These include employers, employees, trade and professional organizations. He suggests a technologically advanced method to cultivate ***organic solidarity*** and counter the excesses of laissez-faire economics and a utilitarian philosophy which fosters rabid egoism.[12]

Advocates of corporate culture recognize the dualism of human nature about which Durkheim wrote: "Employees want, on the one hand, to be unique and 'stand out' yet, on the other, desire cession to the whole. This paradox is resolved in strong culture companies, which stress that each individual has a chance to be a winner. In this way, both the collectivist and individualistic aspects of people might be reconciled."[13]

Her Mind Turned to Suicide: Social Solidarity and Anomie in two Departments of same Organization

A court of inquiry was ordered when police investigations revealed that Neha had attempted to commit suicide. In Department 'A', there was low level of staff turnover, low level of absence and very few disputes, which required the union representative to complain to the management. In Neha's department, however, there were regular disputes, some of these leading to sit-in strikes, walkouts and 'gherao' of the supervisor. The staff turnover and absenteeism were high and impaired the effectiveness of the department. No employee wanted to get posted to that department and recently, Ajay had refused to move there even on promotion.

The Court realized that in Department 'A', a number of people were of the same caste, some even related by blood and shared a strong bond. In Neha's department, there was no camaraderie and the supervisor used formal communications like memos and written warnings.

Using Durkheim's principles, the Court concluded that Department 'A' had higher social solidarity where people were willing to work regardless of their conditions, more disposed to stay with their employers without grievances. In Neha's department, there was less social support and therefore, anomie.

Human Relations

Elton Mayo (1880–1949), a leading spokesman of the Human Relations School of Industrial Sociology created the idea of 'industrial workgroup' and 'employing enterprise', where industrial managers ensure that group affiliations and social sentiments are fostered in a creative way.

The human resource group worked in the post-war period which saw control of large-scale enterprises and the problem of legitimating this control when trade union challenges were growing. The Hawthorne investigations,[14] started in Chicago by engineers of the Western Electric Company's Hawthorne plant, had investigated the effects of workshop illumination on output and had found that, as their investigation proceeded, output improved in groups investigated, regardless of what was done to the lighting. In 1927, the Department of Industrial Research of Harvard University, a group to which Mayo had been recruited, started its enquiry into the Relay Assembly Test Room. Over a five-year period, a wide range of changes were made in the working conditions of a specially segregated group of six women whose job was to assemble telephone relays. Changes involving incentive schemes, rest pauses, hours of work and refreshments were made but

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Hawthorne Effect

That individual behaviours may alter because they know they are being studied was demonstrated in a research project (1927–1932) of the Hawthorne Plant of the Western Electric Company in Cicero, Illinois. This series of research, first led by Harvard Business School professor Elton Mayo, along with associates F.J. Roethlisberger and William J. Dickson, started out by examining the physical and environmental influences of the workplace (e.g. brightness of lights, humidity) and later, moved into the psychological aspects (e.g. breaks, group pressure, working hours, managerial leadership). The ideas that this team developed about the social dynamics of groups in the work setting had lasting influence–collection of data, labour-management relations and informal interaction among factory employees.

The major finding of this five-year-long study was that almost regardless of the experimental manipulation employed, the production of the workers seemed to improve. One conclusion is that the workers were pleased to receive attention from the researchers who expressed interest in them.

Four general conclusions were drawn from the Hawthorne studies:

- **The aptitudes of individuals are imperfect predictors of job performance.** Although they give some indication of the physical and mental potential of the individual, the amount produced is strongly influenced by social factors.
- **Informal organization affects productivity.** The Hawthorne researchers discovered a group life among the workers and realized that the relations that supervisors develop with workers tend to influence the manner in which the workers carry out directives.
- **Work-group norms affect productivity.** Work groups tend to arrive at norms of what is "a fair day's work" and Hawthorne researchers provided a systematic description and interpretation of this phenomenon.
- **The workplace is a social system.** The workplace is a social system made up of interdependent parts.

The researchers used a new procedure called "time-series analyses" In which two insubordinate and mediocre workers were replaced by two different productive workers (one who took the role of straw boss–see below). They discovered that production was most affected by the replacement of the two workers due to their greater productivity and the effect of the disciplinary action on the other workers. The occurrence of the Great Depression also encouraged job productivity, perhaps through the increased importance of jobs and the fear of losing them. Rest periods and a group incentive plan also had a positive effect on productivity. These factors accounted for almost all the variation in productivity during the experimental period.

Social science may have been too readily to embrace the original Hawthorne interpretations since it was looking for theories or work motivation that were more humane and democratic.

Source: Summarized from Franke, R.H. and Kaul, J.D., "The Hawthorne experiments: First statistical interpretation", American Sociological Review, 1978, 43, pp. 623–643

it was found that whatever changes were made, including return to original conditions, output rose. The explanation later labeled as the 'Hawthorne effect'.

It was inferred that the close interest shown in the workers by investigators, the effective pattern of communication and social cohesion which developed within the group, brought together the needs of the group regarding interaction and cooperation with the output needs of the management.

The employee interviewing programme showed that many problems of management-worker relationships could be attributed to the failure to recognize the emotions and the 'sentiments' of the employees. The study in the Bank Wiring Observation Room was undertaken to show the part played by informal social group needs in worker restriction of output. The Hawthorne studies were most fully reported by Roethlisberger and Dickson[15] and their reports and interpretations can be compared with those of Mayo[16] and Whitehead[17].

During this time, L.J. Henderson, biologist, translator and a key figure in the Harvard sociological circle introduced Pareto to Harvard thinkers.[18] The effect of Pareto on this specialized school of industrial sociology was two-fold:

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(a) The suggestion that workers' behaviour can be attributed to their 'sentiments' rather than to their reason.

(b) An emphasis on the notion of *system*. Here we have the organic analogy with its stress on integration and the necessary interdependence of the parts and the whole. Systematic integration could be maintained and potential pathologies of the industrial society could be avoided only by the integration of the individual into the factory or plant community.

Human relations industrial sociology has been widely criticized for its managerial bias, its failure to recognize the rationality of employee behaviour and its denial of underlying conflict of interest.[19]

System Thinking

Durkheim believed that institutions, which are part of the social activity, should be studied, not only to locate the 'genesis', but to understand their 'functioning'—that is, the contribution of the parts of society to the continuation and survival of the whole. Organizations, Durkheim argues, in studies of education, politics, professional organization, morality and the law are:

> '…structured by tensions between the fields of the sacred and the profane; their central social processes are ritualistic; their most significant structural dynamics concern the construction and destruction of social solidarities.' [20]

Systems Thinking

Systems thinking is a way of viewing social entities as societies or organizations as if they were self- regulating bodies exchanging energy and matter with their environment in order to survive.

The key issue raised by Durkheim is the role of institutions in conditioning the individual's ability to think.[21] He offers a sociological view of human cognition as grounded in systems of classification, which are the root of order and control. Durkheim demonstrated that 'individuals come to think alike by internalizing their idea of the social order'.[22] According to Douglas, the core of Durkheim's contribution to social theory is the role of the classificatory in generating social order.[23]

Douglas's (1978[24], 1982[25]) basic assumption, following Durkheim, is that 'the infinite array of social interactions can be sorted and classified into a few grand classes'.[26] In her grid/group analysis, she examines how different cultures generate different forms of classification. According to her, the four major classes of culture are ascribed hierarchy, atomized subordination, individualism and factionalism. These four types of culture are present in any city and correspond to the four boxes in a 2 by 2 matrix (Figure 2.2) as follows:

1. ***Grid*:** A vertical dimension indicating degrees of autonomy; complete at zero where structure is minimal, and restricted at the top by structures imposed by various forms of organization.
2. ***Group*:** A horizontal dimension, indicating degrees of incorporation, minimal at zero, complete at the far right.[27]

Group dimension is a measure of the strength of commitment to group membership. 'Rules of admission to a group can be strong or weak, making it more or less exclusive and the life-support a group gives its members can be complete, or partial'. The grid looks of the extent of regulation. For this, the possibilities run from 'maximum regulation to maximum freedom, the military regiment with its prescribed behaviour and rigid timetabling, contrasted at the other end with the free life, uncommitted, unregulated'. Lack of integration, exemplified in extremes of egoism, reflects the absence of group commitment. Lack of regulation, the extreme form of which is anomie, reflects the absence of overarching structure and control.

Group commitment and grid control measure two dimensions of control over the individual.[28] These are represented in Figure 2.2 where the four forms of culture classified by Douglas are represented on the grid/

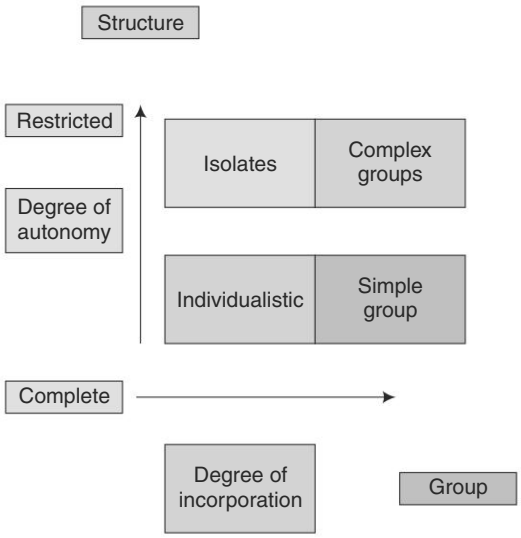

FIGURE 2.2 Types of culture present in any city (four types of social forms)

group matrix, together with the groups (isolates, central community, individualists and dissenting enclaves) whose behaviour and cognitions are sustained by these cultures. High grid engenders low autonomy and is associated with strongly defined jobs.[29] High group indicates strong interdependence between groups.

The greatest impact of systems thinking in the sociology of work and industry has undoubtedly been on study of work organizations. The approach amounts to the replacement of the classical managerial metaphor, which sees the organization as a machine constructed to meet the goals of its designers, with the metaphor of the organization as a living organism, constantly adapting to survive in a potentially threatening environment. Systems views are followed in the study of the organizations even if their use is sometimes more implicit than explicit.[30] They have two significant strengths:

- Recognize that organizations are more than official structures set up by their initiators. They are patterns of relationships, which constantly have to adapt to enable the organization to continue.
- Stress the importance of close relationships between the different parts, or 'subsystems', of the organization. Changes in one part of a system have implications for the other parts as well.

The influence of systems thinking on industrial relations has been low, at least among those taking a more sociological view of industrial conflict. The British Oxford School of industrial relations had a significant influence on the Donovan Commission, which used a systems approach.[31] However, systems approach is more explicit in US tradition which is based on a model offered by Dunlop.[32] This locates all industrial disputes and their management within an 'industrial relations system', composed of the following:

- Groups of actors (managerial, worker and outside, especially governmental agencies).
- A context
- An ideology which binds the system together.
- A body of rules which govern the behaviour of the various actors.

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CONTINGENCY THEORY

Contingency theory is considered a dominant, theoretical, rational, open system model at the structural level of analysis in organization theory.[33] This approach was suggested by Tom Burns in 1958 and Stalker in 1961, who distinguished between mechanist and organic structures. Mechanist systems have rigid functional specialization, defined duties, responsibilities, and a common hierarchy with information flowing down. Such a structure is controlled by superiors while the organic set-up has loosely defined roles. It states that "the best way to organize depends on the nature of the environment to which the organization relates."[34] The contingency theory has two basic underlying assumptions; first, there is no one best way to organize and the second, any way of organizing is not equally effective.[35] When applied, the contingency theory can help an organization, a human group, satisfy its needs and have a more efficient transformation process.

Environment, technology, age and size have emerged as the primary contingency factors with researchers defining additional variables or dividing the primary factors. Mintzberg[36] identified 11 contingency variables, four dealing with the environment, stability, complexity, diversity and hostility. He also identified design of positions, superstructure, lateral linkages and decision-making system as structural design parameters. These emphasize the roles of power, politics and individual goals and objectives. Power is both an outcome and determinant providing "participants further advantages in the political struggle because of their structural position"[37]while technology is a "set of solutions developed by a human group to satisfy its needs, as it defines them."[38]

ACTION THEORY

Contemporary society is a consumer culture, where identity and a sense of self are derived less from work and production and more from consumption and leisure."[39] Indeed, 'people work because they have to and not because they want to.' Bauman states that since manual labourers know they are disposable, they do not develop attachment or commitment to their jobs or enter into lasting associations with workmates. They tend to be wary of any loyalty to the workplace or of inscribing their own life purposes into its projected figure.[40] They are attached to their jobs purely for economic reasons. Goldthorpe et al.[41] pointed out that for most people:

- Family life is looked to as a major source of expressive and affective satisfaction and little is expected from working life other than the wherewithal for the pursuit of extrinsic ends (p. 149).
- Men migrated, "specifically in search of material improvement, notably in regard to housing and jobs" (p. 152).
- There is a feeling of 'relative deprivation' very frequently (p.158).

Goldthorpe et al. saw urban redevelopment and greater geographical mobility leading to a steady erosion of more traditional working class life (p.174). They stated that the workers' orientation to economic aspects of work could, in future, be reinforced by the growing expectation from work.

CONFLICT THEORY

Conflict theory is another important sociological perspective on social change. This views social change as the result of social movements where society always remains in tension where different parts overlap with

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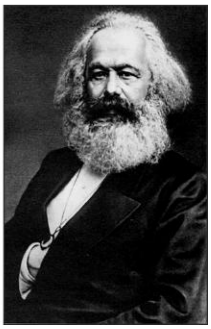
Karl Marx

each other. The germ of conflict can be seen in the works of Plato, Aristotle, Indian epics, and Kautilya, which emphasize on conflict due social inequalities and division of labour. Conflict theorists argue that the modern economic system of capitalist countries operates to create and perpetuate a high degree of economic inequality.[42]

The theories that put emphasis on conflict have roots in the ideas of Karl Marx (1818–1883). Marxism is a form of historical materialism. It stresses the historical specificity of human affairs and changeable character of social formations whose core features are located in the material conditions of existence. Marx (1961) argued that the first priority of human beings is the production of their means of subsistence. Conflict theorists using the Marxist approach believe that income inequality primarily results from capitalism and private ownership of the means of production. Under capitalism, men gain control over property (Kemp, 1994). In the patriarchal system, men have been empowered to control women. Conflict theory argues that social change is usually favourable to industrialized society but antagonistic to agrarian and traditional societies. It breeds tussle and pits one institution against the other. If economic betterment is not equal for everyone, then the lust for money increases.

At the workplace, social relations among workers are shaped by the structure of the labour process. Important variables are technology, which determines the division of labour, and property rights over capital, which give employers a relation of authority over workers. Marx contends that in modern industrial production under capitalist conditions, workers will inevitably lose control of their work and lives and thus get ***'alienated'***. Our species' humanity is realized through meaningful work, and the alienating nature of work under capitalism, robs workers of their inherent potential for human growth and development. Exploitation of workers arises because capitalists own the means of production (technology, capital investments and raw materials) and treat labour as if it were just another inanimate factor of production Marx describes the situation in his *Economic and Philosophical Manuscripts* of 1844 as follows:

> "In what, then, consist the alienation of labour? First, in the fact that labour is external to the worker, i.e., that it does not belong to his nature, therefore, he does not realize himself in his work, that he denies himself in it, that he does not feel at ease in it, but rather unhappy, that he does not develop any free physical or mental energy, but rather mortifies his flesh and ruins his spirit. The worker, therefore, is only himself when he does not work, and in his work he feels outside himself. He feels at home when he is not working, and when he is working he does not feel at home. His labour, therefore, is not voluntary, but forced labour. It is not the gratification of a need, but only a means to gratify needs outside it. Its alien nature shows itself clearly by the fact that work is shunned like the plague as soon as no physical or other kind of coercion exists."

Marx argues that:

> "One must understand, there are three types of alienation. The first type of alienation is alienation from oneself. The second type of alienation is alienation from his fellow human beings. The third type of alienation is alienation from the world as a whole. These three forms of alienation are interconnected. This is the core of his approach to the problem of alienation."

Marx's views on alienation are clear, strong and typological,[43] where the term 'alienation' refers to alienation of labour. Marx holds creative labour to be the essence of humanity. To live is to act, to transform the world and self. Marx's typology of alienation shifts through four stages:

(a) Alienation from the *object of labour*.

(b) Alienated from the *process of production*.

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(c) As we are alienated from the results of the process and the process of labour itself; so we are *alienated from each other*.

(d) We alienate from human essence as species being (*Gatteungswesen*).

Theory of Exploitation

Marx and Engels argue that exploitation has been a central tenet of the human conditions under the material conditions produced by slavery, feudalism, and capitalism. Exploitation and oppression are sociological facts of a capitalist society but they are neither legitimized nor codified as norms.[44]

Under current material conditions of capitalism, workers are exploited by employers for profit maximization, which is directly correlated with low production costs. Employers seek to increase the productivity of workers by making them work harder and longer for less income. Therefore, according to the Marxist theory of exploitation, "profits and wages are in inverse proportion."[45] This profit or surplus value is expropriated by the owners of the means of production, and thus, workers neither reap the rewards of their labour nor have a say in this exploitative arrangement. Exploitation is not evident on the surface because supposedly, the worker enters into a contract with the employer freely and without any coercion.

However, Marx argues that the proletariats, or the workers, are not free to choose or enter into a contract because they do not have access to their own means of production in a capitalist society. While slavery, feudalism, and capitalism are all varying forms of servitude, under capitalism, slavery exists in the form of wage slavery. Since workers are separated from their means of production, they are forced to produce goods to sustain their lives. After existing in a capitalist system for some time, the proletariat observes their exploitation and seeks to strike a bargain. Historically, this bargain has come in the form of collective bargaining through unions and strikes for better working conditions, shorter working days and better wages. Over time, the owners and employers have had to concede to some of these demands but have discovered remedies to continue exploiting the working class.

Labour Theory of Value

Labour theory of value is a major pillar of traditional Marxian economics, which is evident in Marx's masterpiece, Capital (1867). The theory's basic claim is simple; the value of a commodity can be objectively measured by the average number of labour hours required to produce it.

Labour Theory of Value
The value of any commodity is ultimately derived from the labour used to create it.

He argues that a commodity satisfies human wants, its utility makes it a use-value. Commodities constitute the substance of all wealth and are the material depositories of exchange-value. Marx further argues that the value of a commodity is determined by the socially necessary abstract labour time contained in it. ***Socially necessary labour time*** being defined *as the time required for production under normal conditions, with average degree of skill and intensity, using modern machinery*. Hence, an increase in labour productivity reduces the value of an individual commodity. He adds that although the value of a commodity is determined by the socially necessary labour-time contained in it, if there is no demand for the commodity, it contains no value. So, Marx distinguishes three types of value:

(a) Use value, or the utility of the commodity to the buyer.

(b) Exchange value of labour, the worker receives wages equal to the value of his/her labour power i.e., its full cost of production and reproduction.

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(c) Surplus value is a product of the social relations of production peculiar to capitalism. In abstract, surplus value is that portion of the day that the labourer works for the capitalist employer. (Marx, 1954 III: 238).

Theory of Surplus Value

Marx states that the mass of surplus value is a definite quantum and exists across the system as a whole. It is a product of the capitalist mode of production and capitalists compete for a share of this surplus, which can be increased either through a longer working day—'absolute surplus value'—or by raising productivity of labour. The 'rate of surplus value' is a function of the direct labour employed. Constant capital in the form of machinery and raw materials transmits its own value to products but does not create additional value. Marx also offers an explanation of super-normal profits: "Manufacturers who employ a new invention before it becomes common, undersell their competitors, and yet sell their commodity above its individual value realise that they have surplus labour, and thus, secure a surplus profit" (Marx, 1954 III: 238).

Surplus Value
Surplus value is the difference between the value of the product when it is sold (its exchange value) and the value of the elements, especially labour, consumed in the formation of the product.

Beyond the workplace, Marx stratified society into separate classes, with class affiliations largely determined by ownership over the means of production. Thus, capitalist societies feature a large working class, or proletariat, that are property-less and work for wages, and a small capitalist class, or bourgeoisie, which own factories and mills and live off profit. A middle class, or petite bourgeoisie, also exists, as artisans and

Labour Process Theory (Deskilling)

One branch of industrial sociology is labour process theory, a late Marxist theory of the organization of work under capitalism. It critiques scientific management as authored by Frederick W Taylor in the early 1900s, and uses central concepts developed by Harry Braverman in the 1970s. In 1974 Harry Braverman wrote *Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century,* which provided a critical analysis of scientific management. This book analysed capitalist productive relations from a Marxist perspective. Following Marx, Braverman argued that work within capitalist organizations was exploitative and alienating, and therefore, workers had to be coerced into servitude. For Braverman, the pursuit of capitalist interests, over time, ultimately leads to deskilling and routinization of the worker. The Taylorist work design is the ultimate embodiment of this tendency.

Braverman demonstrated several mechanisms of control in the factory of both blue collar and clerical white collar labor force. Braverman's key contribution is his 'deskilling' thesis. Braverman argued that capitalist owners and managers were incessantly driven to deskill the labor force to lower production costs and ensure higher productivity. Deskilled labour is cheap and above all easy to control due to the workers lack of direct engagement in the production process. In turn, work becomes intellectually or emotionally unfulfilling; the lack of capitalist reliance on human skill reduces the need of employers to reward workers in anything but a minimal economic way.

Braverman's contribution to the sociology of work and industry (i.e., industrial sociology) has been important and his theories of the labour process continue to inform teaching and research. Braverman's thesis has, however, been contested, notably by Andrew Freidman in his work "Industry and Labour" (1977). In it, Freidman suggests that whilst the direct control of labour is beneficial for the capitalist under certain circumstances, a degree of 'responsible autonomy' can be granted to unionized or 'core' workers, in order to harness their skill under controlled conditions. Also, Richard Edwards showed in 1979 that although hierarchy in organizations has remained constant, additional forms of control (such as technical control via email monitoring, call monitoring; bureaucratic control via procedures for leave, sickness etc) has been added to gain the interests of the capitalist class versus the workers.

Source: Braverman, Harry (1974), *Labor and Monopoly Capitalism,* New York: Monthly Review Press, pp. 144–45.

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shopkeepers, but over time, competition and the concentration of capital cause them to lose their small property holdings and fall into the proletariat

Money as capital emerges in an economy as a result of technical developments in the production coupled with the creation of a class of "free" or landless labourers. Money functions as capital when the seller of labour power is separated from the means of production. It is the capitalist's class' monopoly on the means of production which forces the labourer to sell his labour power to the capitalist in order to survive.

WEBER—SOCIAL ACTION STRAND

Weber, the renaissance man of the intellectual world of late nineteenth and early twentieth centuries, contributed to the study of sociology, economics, law administration and religion.[46] A sociologist, Weber, in his works *The Protestant Ethic and the Spirit of Capitalism* (1904) and *Economy and Society* (1968), focuses 'the interpretative understanding of social action'.

Weber

Two areas of Weber's work are most relevant. First is his inquiry into the development of capitalism where he concluded that the origin and triumph of capitalism in the West was not preordained by economic laws but was a result of the unique cultural and institutional development associated with the Protestant Reformation. He states that it is Protestant that made capitalism possible because it gave social sanction to a new set of values and modes of behaviour without which capitalism cannot thrive[47] (Hamilton, 2000). Among these values are:

- The virtues of work for its own sake
- Frugality and postponement of pleasure
- Social approval of acquisitiveness, commerce and profit

Essential Characteristics of Bureaucracies

- **Hierarchy with assignments flowing downward and accountability flowing upward:** The organization is divided into clear-cut levels where each level assigns responsibilities to the level beneath it, while each lower level is accountable to the level above for fulfilling those assignments.
- **Division of labour:** Each member of a bureaucracy has a specific task to fulfill, and all of the tasks are then coordinated to accomplish the purpose of the organization. In a college, for example, a teacher does not run the heating system, the president does not teach, and a secretary does not evaluate textbooks. These tasks are distributed among people who have been trained to do them.
- **Written rules:** In their attempt to become efficient, bureaucracies stress on written procedures. In general, the longer a bureaucracy exists and the larger it grows, the more written rules it has. The rules of some bureaucracies cover just about every imaginable situation.
- **Written communications and records:** Records are kept of much of what occurs in a bureaucracy. Consequently, workers in bureaucracies spend a fair amount of time sending memos back and forth. They also produce written reports detailing their activities. These materials go to committees whose task it is to evaluate the relative performance of each faculty member.
- **Impersonality:** It is the office that is important, not the individual who holds the office. You work for the organization, not the replaceable person who heads some post in the organization. Consequently, members of a bureaucracy owe allegiance to the office, not to particular people. If you work in a bureaucracy, you become a small cog in a large machine. Each worker is a replaceable unit many others are available to fulfill each particular function. For example, when a professor retires or dies, someone else is appointed to take his or her place.

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- The identification of righteousness with personal initiative and the exercise of rationalism and order in life's pursuits and dealings with others.

The key to capitalism and industrialism, therefore, is spiritual and cultural transformation in which traditional (feudal and non-rational) modes of thought and values give way to a society based on rationalism, order, science and commerce.

Weber's second area was the analysis of the organizations as the evils of modern society with excessive rationality and bureaucracy, rather than in terms of exploitation. He argues that modern capitalism is the rational calculation of profit and loss, which replaces earlier less rational motives, such as those based on allegiance to values or traditional authority.[48] To Weber, capitalism is the science of applying formal rationality to economic life.

Weber portrayed that industrialization leads to the development of large business firms to take advantage of division of labour and economies of scale and scope. These large firms, in effect, "internalize" market relations, replacing coordination through the invisible hand of price with the visible hand of command as exercised by the owners and hired managers. Part of this internalization process is the replacement of continuous buying and selling labour on the external (spot) labour market with longer-term employment relationship in which employees are attached to a firm for some indefinite time.

To Weber, the only challenge was how to manage these large organizations efficiently and, in particular, how to manage the workforce on the most rational, well-ordered manner. For this, he developed the concept of bureaucracy and described how it should be structured to promote efficiency.

The principles enunciated by Weber include:

(a) Clear chain of command

(b) Positions in the bureaucracy allocated on the basis of technical qualifications

(c) Job tasks clearly delineated to promote division of labour

Another key concept by Weber was the notion of authority. Every bureaucracy has to be under the command of a superior person who has the authority to set goals and direct the performance of production. He argued that efficiency and profit required that authority to have legitimacy and a 'rational-legal' criteria in the eyes of the subordinates. Weber believed that bureaucratic principles led to depersonalization of social life and the solution for this lay in reintroduction of moral values in modern industrial capitalism.

SYMBOLIC INTERACTIONIST

Blumer[49] interpreted that interactionism consists of three basic premises:

(a) Human beings act towards things on the basis of the meaning those things have for them.

(b) These meanings are a product of social interaction in human society.

(c) These meanings are modified and handled through an interpretive process that is used by each individual in dealing with the signs he/she encounters.

The historical underpinnings of these three premises are found in the works of Mead; C.H. Cooley's (1902) theory of society[50]; J. Dewey's (1922) formulation of the concept of habit[51]; and W.I. Thomas (1923) notion of 'the definition of the situation'.[52] Thus, 'symbolic interaction' is the interaction that takes place among the various minds and meanings that characterize human societies.

In industry, the focus is on social drama of work or the interaction that takes place at work, taking note of the problems or tensions which are created by the work itself and by its social situation. The concern

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then turns to how the individual copes with, or adapts, to those issues and relates them to the problem of maintaining his/her identity. Interactionist is the synthesis of four strands of deviance theory—Chicago School labelling, interactional conflict, sociological phenomenology and feminism.

The *labelling* focuses on the process rather than positive concern with peculiarities of the individual. *Interactional conflict* assumes that interaction is based primarily on conflict between competing interests, either of an individual or group, and law is used to control the subordinate group. The recourse to conflict or crime is taken by relative powerlessness. *Phenomenological sociology* is the study of the formal structures of concrete social existence as made available in, and through, the analytical description of acts of intentional consciousness. The object of such an analysis is the meaningful world of everyday life: the *Lebenswelt* or 'life-world'. The task of phenomenological sociology, like that of every other phenomenological investigation, is to account for the formal structures of this object of investigation in terms of subjectivity as an object-constituted-in-and-for-consciousness (Gurwitsch)[53], which makes such a description different from the 'naive' subjective descriptions of the man in the street, or those of the traditional social scientist, both operating in the natural attitude of everyday life, is the utilization of phenomenological methods.

Feminism asserts that sex is a fundamental and irreducible axis of social organization, which to date, has subordinated women to men. It views sex as an organizing principle of social life where gender relations are thoroughly saturated with power. Feminism involves political and sociological theories and philosophies on issues of gender difference, as well as a movement that advocates more equal, gender-specific rights for women and campaigns for women's rights and interests, all [54] within the existing legal and economic framewoks.

Feminism has altered predominant perspectives in a wide range of areas within western society ranging from culture to law. Activists have campaigned for women's legal rights (rights of contract, property rights, voting rights); right to bodily integrity and autonomy, abortion and reproductive rights (including access to contraception and quality prenatal care); protection of women and girls from domestic violence, sexual

Putting Ethno-methodology and 'Negotiated Order' to Work in Metro Heart Institute and Hospital

Karim, a painter, was getting 30 per cent over his salary every month for the last four months. One day, Dr Nanda, the Medical Superintendent of the Hospital, waved to Karim and pointed out that the pay he was getting seemed inflated.

Karim looked at Dr Nanda in surprise and said, "The hospital management says that employees should use their initiative. They say we should put the customer first in everything we do. By doing work in extra time, finish the work faster, so that the occupancy is not affected and patients get a neat and clean environment. Other doctors know this and Dr Tarun has appreciated my work as he is able to manage larger intake."

Ethno-methodological analysis would draw attention to how the painter uses his own purposes (i.e. to earn more) a notion of 'the organization' (hospital) as resource to legitimize his behaviour to the Medical Superintendent.

The concept of 'negotiated order' can analyse this situation. The informal negotiations between painter and doctors, who allow Karim to do 'extra time', have become normal 'order' in the life of the organization. It suited both parties in that it helped doctors to have requisite beds available to meet the daily demands of the patients and it helped Karim to earn a little extra. For all concerned, it 'got the job done'.

Negotiated order thinking, however, recognizes that such deals are continually liable to change. One way was to limit the pay and not allow extra time. Dr Nanda drew on rule that what he saw was fitting the definition of the situation when he said, "You are drawing large amount as extra time. Finish the work during office hours."

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harassment and rape; workplace rights, including maternity leave and equal pay; against misogyny; and protested other forms of gender-specific discrimination against women.

Ethno-methodology

Ethno-methodology takes inter-actionist insights nearer to their logical conclusions. It denies any objective reality to social phenomena and suggests that there are no such things as societies, social structures or organizations. Instead, there are conceptions of this type within the heads of ordinary members of society which are *made use* of by these 'members' in carrying out their everyday purposes.

Birrner[55] suggested the idea of 'organization' as a common sense construct of ordinary people rather than as a scientific concept and stated that we should concentrate on how people exploit the concept. Employees do not follow organizational rules and procedures but carry out a whole range of personal projects. Rules are seen as a resource that people/employees draw upon to legitimize their actions and further whatever projects they are pursuing in their work context.

THEORY OF 'MODERNITY' AND 'MODERNIZATION'

This theory is considered to be one of the most conspicuous perspectives on social change.[56] The term 'modernity' has been related to the meaning and significance of social changes that took place in Europe in the nineteenth century as a result of 'industrialization, urbanization, and political democracy'. It coincided to capture these changes in progress by contrasting the 'modern' with 'traditional' (*Gemeinschaft* to *Gesellschaft*). Modernity considers western culture an essential part and is defined as the movement from the peripheries to the core of modern society. It is the effort of the underdeveloped societies to catch up with the leading most developed countries.[57] 'Modernization' refers to objectively measurable attributes such as education, occupation, literacy, income and wealth.

Changes occur through evolutionary stages which are broadly similar for all societies. Political modernization entails the development of key institutions—"political parties, Parliament, voting rights and secret ballots" which support participation by all in decision-making. Cultural modernization typically involves the decline of religion as an explanation for events and the rise of secular scientific explanations. Modernization is believed to involve the development of nationalism and economic modernization involves profound economic changes and an increasing division of labour, use of management techniques and improved technologies. Social modernization involves increasing literacy and urbanization, among other things.

Rationality and its Limits

Rationality is one of the concepts of Western culture, which assumes that human life is explicable in terms of the rational choices of individual actors. Rationality is known to be the source of progress in knowledge and society and a rational actor calculates the means to maximize his/her interests. However, some modern thinkers have criticized the impulse of rationality arguing that it brings us little progress as domination and oppression. The very impulse to control nature through science and rationality is, it is argued, an impulse to control and dominate human beings (Foucault 1984).[58] Foucault argues:

- Knowledge is not metaphysical, transcendental or universal.
- Knowledge is matter of perspective.
- Knowledge is not pure or neutral but is always from a point of view.
- Knowledge is implicated in regimes of power.

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CRITICAL THEORY, POSTMODERNISM AND POST-STRUCTURALISM

First we will discuss critical theory.

Critical Theory

Marcuse,[59] situate capitalism as a form of 'technological rationality', a concept that represents the instrumental and technological approach to life. It says that all human problems are reduced to technological solutions with a focus on expansion of capitalism. Habermas,[60] and other major theorists within this approach, argue that human activity can be differentiated into 'purposive rational' action or work, and 'symbolic interaction' or 'communicative action'. The former is concerned, among other things, with material production while the latter involves social and cultural life governed by socially-constructed life. It takes for granted that social institutions should be so organized that they exploit, rather than nurture natural resources. Organizations are perceived to be naturally hierarchical and authoritarian, systems become self reproducing and good life can be measured by the ever-increasing supply of worldly goods. Neither Marcuse nor Habermas was overly concerned with individual organizations per se. The work here has been undertaken by Burrell and Morgan (1979)[61], Clegg and Dunkerly (1980)[62], Alvesson (1987)[63] and Alvesson and Wilmott (1992).[64] Perhaps, the most useful summary can be constructed from the model provided by Alvesson in his chapter 'Six Theses for Critical Organization Theory' (1987).

(a) There is tension in organizations between two contrasting rationalities.

(b) The dominance of technological rationality over the operational process corresponds to the interest of predominant social strata.

(c) Technological rationality involves an ideology that systematically distorts the reality generated by it.

(d) An organizational practice which corresponds to the mental makeup of humans, as well as to the interests of the majority, must break up with supremacy of technological rationality.

(e) Business organizations etc. are instruments for reproducing technological rationality, which in turn, they depend upon.

(f) The functioning of organizations must be comprehended with the compass of that rationality which dominates the given historical and social context.

Postmodernism

According to Featherstone,[65] "Postmodernism draws on tendencies in consumer culture which favour the aestheticization of life or the assumption that aesthetic life is the ethically good life and that there is no human nature or true self. The goal of life is an endless pursuit of new experiences, values and vocabularies" (1991: 126). For Featherstone, post modernism is the 'lifestyle' of 'new middle class', a class constituted by the 'new cultural intermediaries' and the 'helping profession'. The essentially urban aestheticized character suggests post-modern life style. "In this aestheticized commodity world, the department stores, arcades, trams, trains, streets and the fabric of building and goods on display, as well as people who stroll through these spaces … and memory of stroller is fed by ever-changing landscape in which objects appear divorced from their context and subject to mysterious connections… . The everyday life of the big cities is aestheticized."

Postmodernism is after modernity which is (a) an overriding faith and belief in science and technology; (b) a focus on the positive benefits of technology; (c) a general assumption that progress is inevitable and desirable of outcome of modernist thinking.

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Table 2.1 lists out six strands of thought in the sociology of work and industry.

TABLE 2.1 Strands of Thought in the Sociology of Work and Industry

Strand of Thought	*Application and Development*
Managerial	Scientific Management—Taylorism
	Humanism
Systems	Human Relations
	Systems thinking in organizational analysis
Action	Occupation and professions in society
	Organizations as negotiated orders.
	Ethno-methodology, Femininism
Weber—interpretivist	Bureaucratic principles of work organization.
	Orientation to work
	Institutionalist organization theories and social construction
Marxist	Individual experiences and capitalist labour processes
	Structural contradictions in society and economy
Critical, Poststructuralist and post-Modern	Discourse and human subjectivity
	Postmodern organization
	Femininism

Source: Adapted from Watson, T.J. (2008), *Sociology, Work and Industry,* New York: Routledge, p. 30

Drawing Strands Together

There are ideas and insights in all strands of thought within industrial sociology, which one can turn to, when analysing work-related issues in the contemporary world. Whenever a specific aspect of industrial sociology is investigated, a conceptual framework or analytical scheme, which draws on ideas from the different traditions while maintaining coherence and internal consistency, is needed. Whichever tradition is taken, the defining characteristic is that it ultimately relates to the way society as a whole is organized. The underlying rationale of industrial sociology is an attempt to understand the nature and implications of living in an industrial society.

SUMMARY

This chapter offers an overview of the contribution of various sociologists to the study of industry. The approaches given by the sociologists have been classified as functionalist, conflict, symbolic, interactionist, modern and postmodern.

A theory is a statement about how facts are related to one another. Because no one theory encompasses all of reality, sociologists use three primary theoretical frameworks: (a) symbolic interactionism, which concentrates on the meanings that underlie people's lives and usually focuses on the micro level; (b) functional analysis, which stresses that society is made up of various parts that, when working properly, contribute to the stability of society and focuses on the macro level; and (c) conflict theory, which stresses inequalities and views the basis of social life as a competitive struggle to gain control over scarce resources and focuses on the macro level.

Various theories have been developed by F.W. Taylor, Weber, Spencer, Elton Mayo, Marx, Durkheim. During the initial period, F.W. Taylor developed scientific management, while Henry Fayol and Max Weber perceived functional perspective. They wanted to bring efficiency and increase profit. Some of the principles suggested were breaking down

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task in small arts, having standard procedures and so on. The period post First World War gave rise to human relations after a series of experiments was conducted, now famous as Hawthorne experiments. Here the behaviour of individual as an individual and in group came under scrutiny. The notions of alienation and rationalization together point to the problems of productivity; these are overshadowed by institutions of capital. There remains a deep division between the theories of Marx and Weber. Nevertheless, the similarities in their conclusions are also striking. They both sought the rise of capitalism in the dynamics of production, and saw capitalism as a specific way of appropriating labour within distinct institutional forms. They gave credit to capitalism for its productive power but at the same time saw deep rooted conflict between rational and irrational forces.

Likewise systems of work organizations have emerged to dictate the current directions the industrial societies are moving. Baverman's efforts on labour process, although similar to Marx have important differences particularly between structural versus a subjectivist approach.

One of the current trends favouring 'feminism' is the changing composition of workforce. In different societies, women have always done work. However, myths and prejudices about men and women in employment remain powerful constraints.

KEY TERMS

Anomie
Conflict
Critical theory
Ethno-methodological analysis
Functionalist
Interactionist
Modern and postmodern perspectives
Rationality
Symbolic
Systems thinking

REVIEW QUESTIONS

1. Name the areas of studies of industrial sociology and briefly explain each of them.
2. What are different sociological strands of thought? What is the contribution of F.W. Taylor?
3. What is scientific management? What is its applicability today?
4. Write short notes on:
   (a) Democratic humanism
   (b) Human relations
   (c) Systems thinking in industrial sociology
   (d) Interactionist strand
   (e) Anomie
5. Explain the results of Hawthorne experiments. How are these useful in modern industry?
6. Explain the types of culture present in any city.

FURTHER READINGS

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PART TWO 2

Industrialization

3. Forerunners of Industrial System
4. Growth of Industrialization
5. Work: Meaning, Orientation and Experience
6. Industrialization in India

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CHAPTER THREE 3

Forerunners of Industrial System

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- Historical background of the development of the Industrial Revolution
- Early industry
- Factory system and its forerunners
- Manorial system
- Guilds and handicraft system
- Putting-out system

Industrial sociology, today, deals with the contemporary industry. However, no event occurs suddenly; all starting and end points in history are arbitrary. Similarly, the temporal sequence of events neither starts with the opening sentence nor stops at the end of the volume. Paul Krugman stated that in the first 55 of the total 57 odd centuries, most of the world's population lived largely as subsistence economies based on extractive industries—farming, mining, fishing, timber, etc. T.R. Malthus pointed out that population increase was subject to the checks of disease, exhaustion of soils and diminishing natural resources.

HUNTING AND GATHERING SOCIETIES

Humans were nomadic hunters and gatherers until about 8000 BC and did not 'work' as a separate sphere of life. Sustenance activities such as gathering food were day-long and not distinguished from leisure time. Technology was very simple and included lodge poles, bone needles, stone cutters, and scrappers. Skills were commonly shared and every individual could perform most of the tasks of the entire group. Division of labour was rudimentary where the young accompanied the elders and helped them in their work, in turn, receiving training, which is equivalent to modern-day on-the-job training.

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In the early days, division of labour was gender-based keeping in mind the biological differences. However, the gathered food was equitably distributed among all.a There were few 'true specialists' in these societies although some members assumed the roles of leaders. Hunger and social pressure to participate were the motivation to work. In *The Andaman Islanders*, anthropologist A. Radcliffe Brown describes these societal norms as follows: "Should a man shrink these obligations, nothing would be said to him, unless he were a young unmarried man, and he still be given food by others, but he would find himself occupying a position of inferiority in the camp, and would entirely lose the esteem of his fellows."[1]

EARLY AGRICULTURE SOCIETIES

Agriculture started with harvesting wild grains and grew with the development of techniques to increase the yield of these plants. Development of agriculture and domestication of animals brought several changes in the organization of the societies. All members no longer played the same role as people performed specialized activities. If some were warriors, others became priests and eventually occupied other official positions. However, social life was almost the same as during the hunting societies. Children still helped elders with basic work activities and, in turn, got on-the-job training. The relative positions of men and women also underwent change. "Since men had been hunting, they were the inventors of systematic herding; since women had been gathering plants, women were inventors of systematic agriculture."[2] The peasant now concentrated on a bountiful harvest.

EARLY INDUSTRY: BEGINNING OF TRANSFORMATIVE INDUSTRIES

Industry means application or utilization of tools in order to achieve output. Hence, industry can be said to be as old as mankind and man is industrious because he is intelligent. The earliest type of industry is the *simple transformative industry* represented by early hunters and agriculturalist.

The tools used by the transformative industry were simple—bows, arrows and spears for hunting; plough and hoe for cultivating fields. Urban areas were small and people worked as artisans, tradesmen, common labourers, servants and domestics. Most of the workforce was dispersed, working as tenant farmers or peasants on small plots of land; spinning thread or weaving cloth at home, or in a small workshop with other craftsman or even out on the streets, peddling goods. A significant number of people worked for wages but the relationship between employer and employee was more personal. People had difficult working conditions—long hours, harsh treatment, many lived close to the margin of subsistence—but also enjoyed considerable autonomy in their work, had close contact with family and workmates, and sufficient time off from work for religious holidays and personal predilections.

Simple Transformative Industry
Simple transformative industry, represented by early hunters and agriculturalists, basically applied simple tools.

FACTORY SYSTEM AND ITS FORERUNNERS

We will first discuss how complex transformative industry, a forerunner of the factory system, came into being. Thereafter, we will elaborate socio-economic organization that existed in the West before the Industrial Revolution.

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Complex Transformative Industry
Complex Transformative Industry was a system where complex tools were used in place of the earlier simple ones. The predominant method of production was handicraft.

In every society through the ages, we have systems that we can call industrialization, which are characterized by the use of tools and machines, driven by animal or human power. These systems also produced more than the consumption of the producer. These goods were saved for later use or traded or exchanged. The use of complex tools gave rise to the complex transformative industry, which signified the entry of complex tools instead of the simple tools used earlier. The predominant method of production was handicraft and the productive unit was often the family, with work being carried out inside or near the family home. Production was sequential, which means that each step of the production process was carried out only after the previous one had been completed. Thus, a single worker or family unit would be involved in the whole process, from start to finish. At this stage, acquisition of raw materials, refinement in processing, availability of transportation and the existence of assumed importance.

The socio-economic organization in the West prior to Industrial Revolution could be divided into the following systems: the 'feudal system', 'manorial', 'guild system', 'domestic' and 'putting-out system'.

Feudal System

Feudal societies were based on security and protection; the subjugation of smaller and weaker agriculture societies by the larger and more materialistic societies. Food, goods, and slaves were given to the bigger societies in return for protection. As a result, powerful individuals were recognized as superiors by lesser men who pledged themselves promising service in exchange of protection. . People who entrusted themselves to the landlord or the ruler were known as *ingénue in obsequio* or 'freemen' in a contractual relation of dependence and those who gave themselves up were called *antrustiones* or the vassals.

It was impossible for the ruler or lords to maintain large armies hence, the practice of granting the vassals land as a *benefice* or 'fief', was introduced. The lords extracted both, a share of the peasants' farm produce and and forced labour on the lands. This forced work was called *corvee labour* and the peasant working under the feudal system was called a 'serf'.

Vassalage meant fealty to the lord—a promise to ensure the wellbeing of the lord, perform any personal service instantly, offer advice, when needed, and to sit as a member of the king or lord's court. Both, the lord and the vassal were bound by honour to abide by the oath of loyalty. The vassals renounced their loyalty if the lords ill-treated them or increased the vassals' obligation from what was fixed in the feudal contract. The feudal laws, derived from traditional Germanic law, were local and personal. Vassals owed loyalty and service to a lord depending upon their terms of personal agreement.

Over time, occupation of land gradually led to heredity possessions, a practice which got legal sanction in the ninth century. Land ownership patterns became an unchanging custom and led to heredity kings and lords.

Feudal lords were warriors and shunned manual labour, which they considered degrading to their stature. A worthy lord was expected to exhibit bravery, loyalty, respect and courage. Gradually, religion entered the feudal culture. The Church used the warriors for religious activities and a feudal lord was expected to honour the laws of the Church as service to God.

The feudal hierarchy consisted of the King, bishops, barons, lords and peasants. At the bottom of the feudal tree were peasants who worked on land to provide for everyone else. The feudal system existed in Europe from the collapse of the Roman Empire, circa AD400 until the Renaissance period, circa AD1400.

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Manorial System

Manorial or *Seigniorial* system was an economic and social system of medieval Europe under which peasants' land tenure and production were regulated, and local justice and taxation were administered. While the system was intimately related to feudalism, it had no connection with the military or the political concept of the 'fief'. The manorial system was based on economic conditions where peasants held land from the lord orFrench *Seigneur* of an estate in return for fixed dues in kind, money and services.

The manor was an administrative and political unit with its own courts where the lord or his agent administered justice. It collected taxes and carried out public improvement work and tenants were obliged to repair roads and bridges, maintain the castles, and take care of the military establishments there. Controlled by the lord's agent, assisted by provosts or bailiffs, the manor was a permanent organization, and even when part of it was transferred to others by the lord, it remained a single unit.

Definition of Manorial System of Landholding

It can be defined as a system of rural landholding with two key structural characteristics—an agricultural economy geared to the production of food, and a rigid system of social relations based on class distinctions between the landholder and the serf cultivator. Such a system centering on agricultural societies with a class or caste structure existed in various forms throughout history.[3] While the manorial system prevailed in France, England, Germany, Spain, Italy and Eastern Europe, a similar unit existed in Japan and India as well.

The manorial system was based on local societal norms which varied across cultures. But a common thread was that the land was owned by the lord was loaned to peasants who cultivated it in return for services and dues. The lord, however, did not have the right to withdraw the property or to increase the dues and the rights of cultivation were passed on through generations of peasant families who fell into two classes, the 'villein' and the 'serf'.

A typical manor included this: The lord's house and personal land was the 'demesne'; the balance property was divided into arable, meadow (the commons), woodland, and waste. The arable was cultivated by the peasants, with each holding run on fixed conditions. Most holdings were strips of land and a single person could hold scattered properties. The peasant followed the three-field system of agriculture where separate sections of fields were devoted to winter and summer crops, and a third was kept fallow every year. The meadow was common land and the woodlands and fishponds usually belonged to the lord who was compensated for every fish or animal hunted or wood taken from these lands. In a poor harvest, the lord was to use his coin and credit to prevent starvation.

Origin of Small Local Industry in the Manorial System

Small local industry originated in the manorial system where payments to the estate sometimes included items like cloth, building materials, and ironware. The serf and the *villein* paid fixed dues but in addition to those, gave personal items as well for the use of lands and the lord's mill and oven or when the lord visited the manor.

Social Characteristics of the Manorial System

(a) Several economic obligations were imposed on the serf by the manorial lord, including the corvée system and labour rights.

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(b) Serfs were legitimately subordinate to the lord through a system of legal and social distinctions based on class divisions of feudal society. Set prerogatives and obligations with political, legal and religious sanction, and sometimes even physical coercion, decided the social positions in the system.[4]

(c) The landholder had complete control over the agricultural produce and could take up 50 per cent of the total.

(d) The landholder could impose a system of economic exactions on the serf, [5] which involved offering services in the form of labour, rent, dues and taxes and complete control over the agricultural produce.

Inclosure or Enclosure

Inclosure or enclosure, in British history, involves the process of inclosing (with fences, ditches, hedges, or other barriers) land, which was formerly subject to common rights. Such land included fields cultivated by the open-field or strip system, wasteland, and the common pasture land.

(e) The society developed a fixed social hierarchy and a system of social and class distinctions with legal and religious sanctions.

Decline of the manorial system began in Italy, where the Roman city institutions persisted through the Middle Ages. In Spain, it was soon modified by Moorish conquest but existed in the new form into the twentieth century. In England, system crumbled with the enclosures of the estates, which meant inclosing (with fences, ditches, hedges, or other barriers) land which was earlier common area. These lands included fields cultivated by the open-field or strip system, wasteland, and common pasture land.

Enclosures and their Impact on the Population

Enclosures fast depopulated the region with mass eviction and foreclosures that coercively separated peasants from their agricultural holdings. With serfs forced off the lands, landlords asserted rights of modern private property instead of the earlier feudal titles. This transformed land into a commercial commodity, first, by subjecting it to buying and selling, and second, by extending its capacity to earn money through rent.[6]

The breakdown of manorial system took the serfs to new methods of production and saw a massive demographic transfer from the agricultural areas to towns or industrial centres. A new category of labour, based on wages, was born.

The rise of towns in the eleventh century onwards relegated the manorial and feudal system to a secondary position and gave rise to the guild system of the towns and boroughs across Europe. In France, the manors declined during the French Revolution whileiIn Austria and Prussia, it ended with the reforms by Emperor Joseph II, Karl vom und zum Stein, and Hardenberg. The system existed in traces inHungary until the twentieth century Even as Russia abolished serfdom. But in all countries, it left its mark on the succeeding institutions.

Impact of Population Displacement on the Manorial System

The displacement of the serf population from the manorial economies had several consequences:

(a) The migration led to dispersed families, uprooted local economies and undermined regional modes of life and livelihood.[7]

(b) It dissolved the serf's relationship with the land and altered the system of economic livelihood to include wages.

(c) Wage labourers lost control over the means of production they once employed in the manorial economy.

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(d) The migration to towns created a new class who were the centre of power and industry and replaced the old manorial hierarchy.

A significant factor of the Middle Ages is the growth of a new class of the free artisans, were the children of serfs who had escaped servitude and moved to a town or "Bourg".

Guild and Handicraft Systems

The release of the labourer from the feudal system was the first significant step towards industrialization. Veblen speaks of them as 'master less men' or men who were 'ungraded'.[8] These 'master less men' or independent artisans, who produced for the market, came together in organizations known as 'guilds'. A guild is a professional association of craftsmen whose basic function was to regulate work related to trades[9] and protect the economic interests of the members. Guilds also had social, political and religious functions.

Guilds
Guilds can be defined as a professional association of craftsmen whose basic function was to protect and regulate work relating to trades.

Guilds were a combination of trade union, professional organization, and a mutual benefit society, which regulated the quantity and quality of goods to be produced and set prices for goods and tools. On an economic level, the guild joined 'the "mystery" of craftsmanship with the dynamics of pressure groups.'[10] In short, the guild was a means to regulate competition and deal with market failure and incomplete markets.[11] They regulated price and quality and attempted to finish the production, from the raw materials to the finished goods, within a single organization. Entry fees and other types of control in artisan guilds intervened in the labour market in two ways: delivery of training, when the market did not supply technical education, and regulation of competition, especially competition between masters and apprentices.

Functions and Impact of the Guild

The guild's main function was to regulate the work of the craftsmen and control monopoly of services and production against outsiders. It managed the sourcing of raw materials, processes of production, tools employed, and the quality in the market. These regulations, although designed to ensure equality among members of the guild, also brought economic benefits for the consumers through standardized quality. No member was allowed to use a technical process, which would make his/her product better than the rest or reduce the production time. With these regulations on the supply of raw materials, amount and type of production, and price and method of distribution, the guild system offered a controlled economic life. Within the guild, it offered equality of opportunity through rather rigid and traditionalistic means. The system created three ranks or stages in the workers' career—apprentice, journeyman, and master and graduating from a lower to higher level was a long process.

The guild performed other functions in the market as well. It reduced risks of the trade cycle, became a source of credit for members at a time when capital markets did not exist. In entrepreneurial resources, the guild curbed free riding with privileged access to information and entry fees, which played the role of royalty on intellectual property.

Externally, the system was well designed to monopolize production though this monopoly was challenged by religious institutions, rural craftsmen and independent artisans. Although the guilds had superior marketing facilities, they could not outdo the religious institutions; people from the towns demanded compulsory membership of guilds as it enabled them to regulate taxes even as the guild limited membership. Despite these difficulties, the guild was able to establish an effective, if not complete, monopoly of production.

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There are two types of guilds that existed—craft guilds and merchant guilds. **Craft guild** was an organization of workers who specialized in a given craft and enjoyed the exclusive right to the practice of their trade in a local area—a right protected by public authority. **Merchant guild** came later and monopolized trade in many areas just the way the crafts guilds monopolized production.

The guild system came under strain as the market enlarged beyond local limits. The local craft groups became dependent on importers for costly raw materials and some guilds depended on exporters as well for sale. This meant that craftsmen started producing for a merchant rather than the consumer, a significant change. Even as the workers produced 'handicrafts', the merchants began to determine the types of goods produced. It led to a loss of direct contact with consumer and middlemen tried to coordinate the production and demands of the consumer. The system was further altered when merchants started supplying raw materials and adjusted the cost against the price of the finished product.

These gradual changes added up to form a new production system. The guild, once the controlling agency for all stages of production from start to finish, now focused only on exchange at both end of the process. With increased specialization, each guild relied on the previous one in the production chain and the succeeding one for handling its products. This change in the market transformed the traditional policy and led to the death of the guild. With time, the guilds also functioned as link between the government and the people, as 'instruments of the municipalities',[12] or 'agents of council policy'.[13] In some cases, the supervision of the town population, including taxation, was 'the most important function' of the guilds.[14] The guild and polity relationship varied greatly and these variations were a strategy either to contain the guild or to empower it (see essays in Epstein, Haupt, Poni and Soly, 1998).[15] Also, the moves were influenced by the state's search for efficient fiscal agents, by the guild's own successes or failures in adapting to industrial capitalism, political and juridical aspirations, and on an ideological plane, by the tension between corporatism and individualism.

The guilds, under the protection of the medieval Church, became one of the most stable bonds of social union and grew to be the most harmonious and endurable social order the West has ever produced. This explains the why the system continued into the nineteenth and subsequent centuries.

Decline of Guilds

In normal times the competitors of the guilds were the rural craftsmen, the independent artisans and the monastic order which had earlier traditions of craftsmanship. The guilds could not survive against these and gradually declined. Some of the major causes of decline are as follows:

(a) Right and duties of each guild were not defined resulting in conflict, confusion and friction.

(b) Rise of merchant middleman who procured the raw material and found a market for finished goods. They deducted the price of original material, hereby undermining the position of the masters and, consequently, of the guild.

(c) The guild lost the status of the sole producer and controller of process of production.

(d) Certain craftsmen within the guilds rose to the position of merchants and capitalist employers of home workers. Masters with a considerable invested capital purchased the raw material, turned over the work to their fellow guildsmen who carried on with the process of production for them and sold the finished product.

(e) Where the raw material was costly and its transportation demanded considerable capital, the guilds became dependent upon the importers.

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Putting-out System

The demands of an expanding market put greater strain on the closed and meticulously regulated economy of the guild system. To meet these growing needs, a gradual change occurred, and a complicated system of production and distribution, involving greater division of labour, supplanted simple life.

For the craftsman, the relationship remained nominally the same as at first, the putting out system maintained a semblance of individual craftsmanship. The worker could work independently at home or at his shop at his own speed.. This arrangement was characterized by the 'domestic' system where production happened at home and the worker's home and family became the productive unit in society.

As the demand for cheaper production grew, the entire family worked to finish the numbers demanded by the merchant or produce enough to support the family. Gradually, the older craftsmanship gave way to standardized and fairly routine work, often facilitated by hand or animal powered machines. The handlooms, necessary for the textile industry in England, were rented out by merchants to the producer family. In this set-up, the entrepreneur started exercising greater control over the worker. The merchant determined quality, quantity and time of delivery of finished goods. The craftsmen had essentially become an employee.

These transformations, although gradual, followed a definite pattern towards increased specialization, greater division of labour and involved greater dependence of workmen on others. The tempo of change varied across localities and 'industries'. The social structure, statuses and roles, reciprocal rights and duties among different persons and productive processes shifted from the individual artisan to an economy beyond the control of the individual workmen.

These changes resulted in:

(a) The worker did not buy the raw materials; materials were supplied by the merchant.

(b) The worker did not always own the 'tools' with which he worked. They were rented, leased or loaned by the entrepreneur.

(c) The worker did not determine the type, quality or amount of goods to be produced. He simply filled orders placed by those more aware of the market condition.

(d) The worker did not sell the finished product directly to the consumer. Since he did not own the materials, he was paid on a piece-rate basis.

These changes had an impact on the social relations of work. Free artisans were replaced by two classes with distinct and antagonistic relations: the merchant capitalists and their employees. While the merchants paid the very minimum, the workers tried to earn the maximum wages for their labour, a goal often hampered by the availability of cheap labour in another city or region. These relations set the stage for the historic conflict between capitalists and labourers.

FACTORIES

The term 'factory' is combination of two economic phenomena: one, the concentration of former artisans and domestic workers and second, a radical change in the production methods. Here, the workers continued with their earlier production activities, however, not from home, leading to the term 'manufactories'. The production techniques saw a substantial investment in fixed capital combined with strict supervision and rigid discipline resulting in what was called 'mills'. Weber writes: "The modern factory system originated in England in the last third of the eighteenth century. From the beginning its effects were so quickly felt

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and gave rise to such important results that it has been aptly compared to a revolution, though it may be confidently asserted that few political revolutions have ever had such far-reaching consequences."[16]

In François Crouzet's words, traditional industry, was "an industry without industrialists."[17] This was true of the craftsmen who worked independently with help from family members and a few apprentices. Workers who were employed by capitalists also worked, predominantly, from their homes. Max Weber stated that: "The distinguishing characteristics of the modern factory were "labour discipline within the shop ... combined with technical specialization and co-ordination and the application of non-human power ... The concentration of ownership of workplace, means of work, source of power and raw material in one and the same hand. This combination was only rarely met before the eighteenth century."[18]

Characteristics of the Factory System

Essentials of the Factory System

1. Shop
2. Fixed capital
3. Free labour

The essential factors of the factory system are:

- Shop industry
- Fixed capital
- Free labour

Shop industry Shop production means a unified and coordinated production within a single establishment. Although the word usually denotes a small establishment, a shop is a manufacturing unit ranging from the very small to the extremely complex. All operations don't always take place 'under the same roof' but the units are often in close proximity, interdependent, and under a unified control.

Initially, the factories were not large but combined several manufacturing processes and similar machines for centralized supervision. Often, the interest of the entrepreneurs was technical as well as commercial as the capitalist was his own technical designer both, for machine and shop arrangement. Specialization was sought by making the shop, and not the craftsman, the productive unit of society. Pollard, in his classic work on the rise of the factory, mentions three large plants before 1750, all with over 500 employees.[19] At that time, the most "modern" of all industries was silk throwing. The silk mills in Derby, built by Thomas Lombe in 1718, employed 300 workers and were spread over a five-storyed building. Equally famous was the Crowley Ironworks, established in 1682 in Stourbridge Birmingham, which had 800 employees. It was a firm that put out work to master workmen who functioned from their own homes or workshops. A biography by Flinn[20] describes Crowley's firm as "a giant in an age of pygmies" and notes that such a successful large-scale industrial organization was not built until a century later. What set Crowley apart was a unique system of supervision, monitoring, and arbitration with his workers. Blast furnaces, breweries, shipyards, mines, construction and a few other industries had started producing outside the domestic system since they could not economically operate at the household work scale.

Domestic System

In the domestic system, products were manufactured at home and on a small scale, hence known as 'domestic'. Workers could work in their homes at their own speed with everyone in the house being involved in it. Also, since the women worked at home, they were available to care for the children. Work conditions were better as people worked at their own speed, ate and rested when they wanted. Since people worked for themselves, they took pride in what they did. Tension in the workplace was minimal with the family working as a unit. Some of the best home-produced goods were of high quality.

Fixed capital Fixed capital refers to those investments in productive goods, which cannot be not easily transported or broken up into small units. For example, machines, which can be operated only as interdependent units. The emergence of fixed capital prompted production to move from

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scattered homes of workers to a unified productive establishment. The buildings and equipment then became fixed capital.

The early development of textile manufacturing in England was the vanguard of a centralized system of production. Power looms, which utilized non-human energy like water power, made the decentralized putting-out system unmanageable. The factory system signified the introduction of a unified production with fixed capital in one manufacturing industry –cotton production in England.

Free labour Free labour put an end to slavery and focused on technical efficiency in the labour force. The gradual decline of feudalism in Western Europe saw a change in the lives of the peasants The French *serf* became a free tenant or proprietor of the ancestral and; the English *villein* lost economic security even as he gained liberty. By 1750 tenant evictions and agricultural poverty had created a large unemployed population and thus, cheap labour was easily available. The extent of poverty and unemployment in England is attested by the famous Elizabethan Poor Laws of the sixteenth and seventeenth centuries.

Impact of the Factory System

The scene of work shifted from the artisan's shop and peasant's cottage to the factory and employers hired workers who no longer owned the means of production but were simply paid wages to run the machines.

The factory system demanded new type of discipline from its employees as owners could not afford to let their expensive machinery stand idle. Labourers were forced to work regular hours and in shifts to keep the machines running at steady pace for maximum output. This needed a great adjustment for early factory labourers who worked at their own pace. The new factory system:

> "inspired such visions as working man narrowed and dehumanized into 'operatives' or 'hands' before being dispensed with altogether by completely 'self-acting' (automated) machinery… . The 'factory' with its logical flow of processes, each a specialized machine, tended to by a specialized 'hand', all linked together by the inhuman and constant pace of the 'engine' and the discipline of mechanization …. Was a revolutionary form of work" (Honsbawn, 1969, p. 68).

Pre-industrial workers were not accustomed to a timed format. Agriculture labourers kept irregular hours with hectic work at harvest time followed by weeks of inactivity. Even the domestic artisans in cottage industry could work at their convenience as long as the quota of work was fulfilled. In the pre-factory era, work rhythms were determined by the necessities of the job—the seasons in agriculture or the changing tides in fishing. Industrialization converted 'time' into a new currency as changes in manufacturing techniques demanded greater synchronization of labour and greater punctuality and exactitude in daily work. Much was of this was an anathema to the pre-industrial worker.

Factory owners, therefore, faced a formidable task. They had to create a discipline that would accustom employees to working regular, unvarying hours during which they performed a set of number of tasks as efficiently as possible. Factory regulations were minute and detailed. Adult workers were fined for a variety of infractions including punctuality and dismissed for more serious misdoings, especially drunkenness. Employers found that dismissal and fines worked well for adult workers. Losing a job could be disastrous for an adult at a time when large unemployed population was floating. Children were less likely to understand the implications of dismissal, so they were sometimes disciplined with corporal punishment. In the early days of the Industrial Revolution, efforts by factory owners to impose a new set of values were frequently reinforced by the new evangelical churches. Methodism, in particular, emphasized that people "reborn in Jesus" must forgo immoderation and follow a disciplined path. Laziness and wasteful habits were sinful; hardship in this

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life paved the way for the joys in the next birth. As the nineteenth century progressed, the second and third generations of workers saw a regular working week as a natural way of life. It was this change in attitude that made possible Britain's incredible economic growth in that century.

The growth of the modern business plant as a locational unit gave rise to enormous social changes, first fully identified and described by Marx. He developed the notion of 'alienation', stressed on the historical significance of the emergence of an industrial proletariat, the need to form a docile and malleable labour force, and the significance of people spending their life interacting with strangers, subjecting themselves to the hardships of the shop floor and the coercion of the factory clock.

The factory system also established the 'monetary basis of exchange'. This means that people started purchasing at least part of the necessities and comforts of life, rather than producing them all at home.

Soon, factories witnessed technical specialization and coordination a number of processes were combined with a unified supervision. This led to specialization by utilizing a set technical process; activities were coordinated by combing these technical processes or through contracts, agreements or buying and selling.

The new system also introduced the 'work by time' ethos. Part-time employees were rare and absenteeism was usually a cause for fines or dismissal. Under the old regime, domestic workers could choose essentially any point on the leisure-income trade-off; this freedom of choice was much reduced once workers had to submit to the factory regime. Workers realised that even high wages could cut down on their well-being if leisure time was low and it became an "all or nothing" choice.

Factories also gave rise to social problems such as accidents, diseases, child labour, unemployment and establishments of slums.

SUMMARY

The society never remains static. Throughout history, man has endeavoured to control nature. In its endeavour, man has undergone many shifts in methods of production. The humans in ancient times were primarily hunters and gatherers of food. This was an *egalitarian* society. The chief characteristic of hunter and gathering society was that it never had surplus. The human soon started settling down and cultivate food, resulting in an agricultural/horticultural or a pastoral society. In this order, there were two classes viz. the chief and commoner. This society used simple tools. There was regular production, and surplus was also generated. This revolutionized the society. It meant some members could take off time from basic production and turn to other pursuits. A complex economical system grew having four classes—King, Clergy, Knight and Vassals or fiefs. This was primarily with a view to have security. One of the common uses to which agriculture societies put their leisure time and other new technology was warfare. Military might was used to garner greater surplus through conquering other people.

The individuals soon collected together to establish shops which produced goods from raw material to the final product. The new machines developed needed capital as also constant flow of work. These shops gave way to factories, which employed very large number of employees and class within it to get efficiency.

Soon more complex methods of production were innovated or developed resulting in breakdown and having people move from agriculture to industry. Industrialization basically was the substitution of the mechanical, electrical and fossil fuel energy for human and animal labour, which caused explosive growth in productivity, not only of goods but also of knowledge and technology. The industrial society brought in new forms of work for wages as also brought capitalism. The industry grew so did methods to protect the trade. There were guild to protect workers, and some of the workers worked from their homes in domestic/putting-out system.

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KEY TERMS

Complex transformative industry
Domestic system
Factories
Feudal system
Guilds
Hunting and gathering societies
Simple transformative industry
Guild system
Manorial domestic
Putting-out system

REVIEW QUESTIONS

1. Trace the steps through which production system evolved to the industrial factory system.
2. Write a brief note on manorial system. What were its unique characteristics?
3. Guilds exist even today in society. What is a guild and how did it impact the producer of goods?
4. Guilds brought security to the producers. What do you think were the main reasons for its decline? Elucidate.
5. Write short notes on the following:
   (a) Feudal system
   (b) Manorial system
   (c) Domestic system
   (d) Putting-out system
6. The factory system evolved in Britain. What are the unique features of factories?
7. Write a short note on the social changes brought about by the rise of factories.
8. Differentiate between:
   (a) Manorial and feudal Systems
   (b) Domestic and putting-out systems

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CHAPTER FOUR 4

Growth of Industrialization

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- What is industrialization
- The industrial revolution and its origin
- What is industrial factory
- Industrial revolution in the US, Europe and other parts of the world
- Social impact of industrialization (early industrialization)
- Sociological description of the nineteenth century capitalist society

Industrialization happens in a country when per head incomes rise steadily, and without an apparent limit and when major and continuing changes in material technology, including tapping new sources of energy, occur in society. These positive changes, particularly in the income, have made industrialization a widely and ardently pursued phenomenon. An industrialized society is represented by 'volume consumption of the durable consumer goods' or realization of mass consumption cantering around motorization'.

Thus, industrialization is defined as, 'the economic transition from small-scale, labour-intensive production to large-scale, capital-intensive production in factories and mills'.

THE INDUSTRIAL REVOLUTION

The Industrial Revolution is defined as 'the complex of radical socio-economic changes, such as the ones in England in the late eighteenth century, that occur when extensive mechanization of production systems results in a shift from home-based hand manufacturing to large-scale factory production'.

Definition of Industrialization
Industrialization is the economic transition from small-scale, labour-intensive production to large-scale, capital-intensive production in factories and mills.

History of the Industrial Revolution

The Industrial Revolution, historians claim, began in Britain after 1750 and by 1850, it had already made the country the wealthiest nation in the world.

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The Revolution was the result of many fundamental, interrelated changes that transformed 'agricultural economies into industrial ones'. The most immediate changes were in the nature of production—what was produced, where and how. The Industrial Revolution replaced manual labour by machines; goods that had traditionally been made in the home or in small workshops began to be manufactured in the factory. Productivity and technical efficiency grew dramatically with a scientific and practical knowledge to the manufacturing process and efficiency was enhanced when large groups of business enterprises were located within a limited area. The Industrial Revolution led to the growth of cities as people moved from rural areas into urban communities in search of work.

The early Industrial Revolution was based on the workshop rather than factory and was technically primitive. There were no expensive, technologically advanced machines; skilled craftsmen used simple devices to create new production methods, which produced striking results.

Why was the Industrial Revolution Called a Revolution?

The Industrial Revolution is called a revolution because it changed society both, significantly and rapidly. The only other event in history, which has been equally significant, is the Neolithic Revolution, which took place in the later part of the Stone Age. In this, people moved from social systems based on hunting and gathering to much more complex communities that depended on agriculture and domestication of animals. This led to the rise of permanent settlements and, eventually, urban civilizations. The Industrial Revolution brought a shift from the agricultural societies created during the Neolithic Revolution to modern industrial societies.

■ ORIGIN OF THE INDUSTRIAL REVOLUTION

In this section, we will discuss different factors that contributed in the rise of the industrial revolution.

Characteristics of Ancient Cities

- **Garrisons**, i.e. centres of military protection for surrounding countryside fortified against attack
- **Centres of administration** both, for government and religion
- **Centres of trade** and contained significant proportion of merchants. The major cities were along the banks of rivers or sea ports
- **Centres of craft manufacture** This principally involved the production of those articles which were necessities for the agrarian society–tools, implements, clothes, etc. This ensured that social and economic connections between the city and the surrounding country are never diverged

Role of Agriculture in the Industrial Revolution

The agricultural transformation of the eighteenth century, or the changes in the method of farming and stock rearing/breeding to increase food production, set the ground for the Industrial Revolution. With this, rural workers were rendered surplus and thus, became the potential labour force for industrial enterprise.

Role of Enclosures in the Industrial Revolution

Before the Revolution, most people lived in small villages, working either on the fields or as skilled craftsmen. They lived and worked as a family, doing everything by hand. In fact, three quarters of Britain's population lived in the countryside, and farming was the predominant occupation (Porter).[1] The new enclosure laws—which required that all grazing grounds be fenced in at the owner's expense—had left many poor farmers bankrupt and unemployed. This required them to move to towns and cities so that they could be close to their new jobs. As a result, many people who were forced to work at the new factories.

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Individual Spirit for Profit and its Impact on the Industrial Revolution

Another major reason for industrialization in Britain was the fact that people were interested in making profits, if given an opportunity. The British, as one historian said, were a people "fascinated by wealth and commerce, collectively and individually." This free-market approach resulted in new production methods in several key industries, which included different machines, fresh sources of power and energy, and novel forms of organizing business and labour. Technical and scientific knowledge was applied to business practices on a large scale to encourage mass production. The result was an increase in material goods selling at lower prices. With these developments, early industrial entrepreneurs faced considerable financial hazards as fortunes were made and lost quickly. The structure of early firms was fluid as individuals, families, and friends operated businesses.

Role of the British Government in the Industrial Revolution

The British government played a significant role in the process of industrialization by adopting a relatively hands-off economic policy, which permitted fresh methods and ideas to flourish with little interference or regulation. This free-market approach was popularized Scottish philosopher and economist Adam Smith in his book, *The Wealth of Nations* (1776).[2] Britain's nurturing social and political setting encouraged the changes that began in a few trades to spread to others. Gradually the new ways of production transformed more and more parts of the British economy, although older methods continued in many industries.

Use of Coal and its Impact on the Growth of Industry

Modern industry required power to run its machinery and coal was the main source of energy during the Industrial Revolution in Britain. Even before the eighteenth century, a few enterprises, such as the brewing, metalworking, and glass and ceramics industries, had replaced wood with the country's plentiful coal supply. Abraham Darby successfully used coke—a high-carbon, converted form of coal—to produce iron from iron ore. Using coke eliminated the need for charcoal, a more expensive and less efficient fuel. Later, metal makers discovered ways of using coal and coke to speed up the production of raw iron, bar iron, and other metals.

Use of Iron in the Industrial Revolution

The most important progress in iron production occurred in 1784 when Englishman Henry Cort invented new techniques for rolling raw iron, a finishing process that shapes iron into the desired size and form. These advances in metal working were an important part of industrialization. They enabled iron, which was relatively inexpensive and abundant, to be used in many new ways, such as building heavy machinery.

Iron was also vital to the development of the railroad, which improved transportation and in turn, enabled commerce to spread to more regions. In this way, the changes of the Industrial Revolution reinforced each other, working together to transform the British economy.

The Steam Engine's Role in the Industrial Revolution

The steam engine was perhaps the most important machine technology of the Industrial Revolution. Inventions for the use of steam as power began prior to the eighteenth century. In 1689, English engineer Thomas Savery created a steam engine to pump water from mines. Another engineer, Thomas Newcomen, developed an improved version by 1712. This was followed by significant developments by Scottish inventor and mechanical engineer James Watt, which allowed the steam engine to be used in many industrial settings,

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Urban Poor during the Industrial Revolution

apart from just mining. Early mills, which had successfully used water power, had to be located near a river or water source, but the use of steam engine allowed factories to be set up anywhere, not just close to water.

IMPACT OF THE INDUSTRIAL REVOLUTION

Impact on Traditional Economies

The Industrial Revolution was the first step in modern economic and social development. Economic changes impacted social patterns as people moved to cities and found a greater variety of material goods and new ways of doing business. Over a period of time, economic development was combined with superior military technology to make European nations and their cultural offshoots, such as the United States, among the world's most powerful in the eighteenth and nineteenth centuries.

Impact on Society

As economic activities in many communities moved from agriculture to manufacturing, production shifted from its traditional locations in the home and small workshops to factories. Large portions of the population relocated from the countryside to the towns and cities where manufacturing centers were situated. The workers, particularly the women and children, were taken out of the familiar environment of the home and placed in the new impersonal factory, which imposed regularity, a routine, and monotony that was quite unlike the pre-industrial rhythms of work.

The overall amount of goods and services produced expanded dramatically, and the proportion of capital invested per worker grew. New groups of investors, businesspeople, and managers took financial risks and reaped great rewards. This unprecedented growth and profit was another social change that occurred during the Industrial Revolution.

The *laissez-faire* approach taken by the government and advocated by philosopher-economist Adam Smith allowed capitalism to flourish. There were little or no government regulations imposed on factory policies,

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and this allowed the wealthy, middle-class owners to pursue whichever path was most profitable, regardless of the safety and well-being of their workers. This relentless pursuit of money caused yet another important social change: the ultimate breakdown of the family unit.

Urbanization destroyed the established pattern of social relationships. As Cobbett's famous epithet on London, "oozing disease, vice and pauperism". The cities, it is believed, brought about the breakdown of the 'personal' relationships and modes of social control which had characterized the interactions between the classes in the country side.

Role of the Industrial Revolution in Urbanization

Urbanism did not arrive with the Industrial Revolution. There are examples of pre-industrial cities in Greece, Italy (Rome), Istanbul, Alexandria, India (Delhi, Hastinapur), and in China (Peking), etc. Industrialization only promoted urbanization and transformed the character of cities.

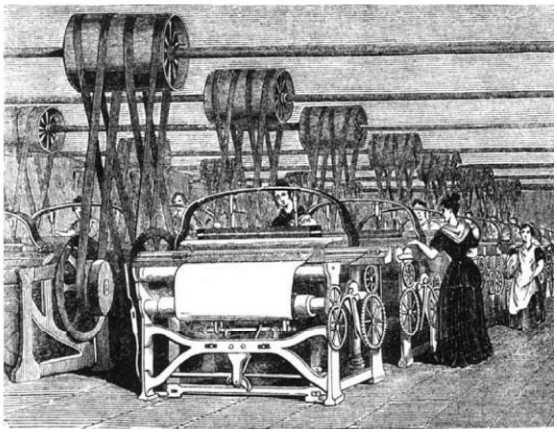
Cities were 'centres of manufacture', which later expanded and dominated the process of urbanization. They rose from villages and small market towns like Manchester, Leeds, Birmingham, and Sheffield in England, and attracted people who had no role in to play in the world of commercialized agriculture. Also, people were attracted to cities, which offered higher standards of living. Thus, the Industrial Revolution brought economic improvement for people in industrialized societies. They enjoyed greater prosperity and improved health, especially those in the middle and the upper classes of society. However, there's been a downslide and in some cases, the lower classes of society suffered economically.

Impact on Work

The Industrial Revolution had a considerable impact on the nature of work, the most important being a considerable increases in the output of goods per worker.

The movement of people away from agriculture and into industrial cities brought great stress to many people in the labour force. Women, who earlier earned money from spinning, were losing their source of income to new factories. Traditional handloom weavers could no longer compete with the mechanized production of cloth and skilled labourers lost their jobs as new machines replaced them.

It also meant that people made less money despite working longer hours. This, combined with higher living expenses due to urbanization, ensured that many families' resources got severely stretched. As a result, women and children were sent out to work, comprising 75 per cent of early work force.[3] While families, desperately in need for money, were forced to do this, factory owners were happy to employ women and children as they were often paid less. Also, children were more malleable and adapted to new methods faster and could be controlled more easily than adults, generally through violent beatings.[4] Employers often exploited these children by making maneuver their way into tiny crevices of machines or work in mines, where they had to get coal and ore from the deep and very often unsafe corners.[5] At times, they were even forced to work as long as 18 hours each day.[6] For these reasons, children as young as eight years were sent to factories where they became part of a growing and profitable business.



Women at Work in a Textile Mill

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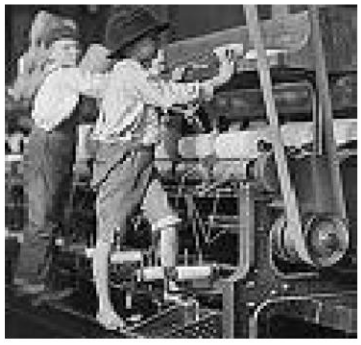

Children Working in a Textile Mill

Since women and children laboured for up to 18 hours everyday, there was very little family contact, and the only time that one was at home, was spent sleeping. People also had to share housing with other families, which further contributed to the breakdown of the family unit. Children received very little education, had stunted growth, and were sickly. They also grew up quite maladjusted, having never been taught how to behave properly.[7] The living conditions were horrible; working families often lived in slums with little sanitation, and infant mortality skyrocketed. During the early Industrial Revolution, 50 per cent of the infants died before the age of two.[8]

An important idea which evolved during the Industrial Revolution was division of labour, which called for dividing the production process into basic, individual tasks. Each worker would then perform one task rather than a single worker doing the entire job. Such division of labour greatly improved productivity, but many of the simplified factory jobs were repetitive and boring. The clock ruled life in the mills.

THE INDUSTRIAL REVOLUTION IN THE UNITED STATES

An important aspect of the Industrial Revolution was its impact on the United States. In the beginning of the nineteenth century, the United States was an agrarian society. There were no cities over 100,000, and six out of every seven Americans were farmers. Between 1800 and 1860, the United States experienced its own Industrial Revolution. By 1860, the population had grown from five million to 30 million, of which only 50 per cent were farmers; nine American cities had a population of more than 100,000. In the young United States, Secretary of the Treasury, Alexander Hamilton called for an Industrial Revolution in his Report on Manufactures (1791).

Industrial Revolution in the United States is characterized by the following features:

(a) The initial application of machinery to production was accomplished, as in Continental Europe by borrowing from Great Britain.

(b) The United States was a large country and realized that for industrialization, transportation was the key. Thousands of miles of roads and canals were built linking the east with the west coast; a massive system of railroads was built. The transportation revolution turned the nation into a single massive market for goods manufactured in the Northeast, the early center of American industrialization.

(c) Labour for a growing number of factories came primarily from rural areas since the country did not too many crafts people, but has a rapidly expanding farm population.

(d) Women comprised more than 80 per cent of the labour force in the large textile mills. In Massachusetts mills towns, company boarding houses provided rooms for a large number of young women who worked for several years before marriage. Outside Massachusetts, factory owners sought entire families.

(e) The American population was highly literate and most felt that economic growth was desirable. Within its distant borders there was remarkably free movement of goods, people, capital, and ideas.

Advertisement in a newspaper in New York

'Wanted'

A few sober and industrious families of at least five children each, over the age of eight years, are wanted at the Cotton factory in Whitestown. Widows with large families would do well to attend this notice.

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(f) The United States, as a rich, sparsely inhabited continent, lay open to exploitation and development.

(g) The young nation also inherited many advantages from Great Britain. The stable legal and political systems that had encouraged enterprise and rewarded initiative in Great Britain played the same role, with minor variations, in the United States. No nation was more open to social mobility, at least for white male Protestants.

(h) One initial American advantage was the fact that the United States shared the language and much of the culture of Britain, the pioneering industrial nation. This helped Americans transfer technology to the United States. As descriptions of new machines and processes appeared in print, Americans read about them eagerly and tried their own versions of the inventions sweeping Britain.

(i) Economic growth depended on tying together the resources, markets, and people of this large area. Despite the general conviction that private enterprise was best, the government played an active role in uniting the country, particularly by building roads. From 1815 to 1860, state and local governments also provided almost three-quarters of the financing for canal construction and related improvements to waterways.

(j) Americans worked actively to promote such transfers of machines and mechanics from Britain, even offering bounties (special monetary rewards) to encourage people with knowledge of the latest methods and devices, to move to the United States.

(k) The most critical nineteenth century improvement in communication, the telegraph, was invented by an American, Samuel F.B. Morse. The telegraph allowed messages to be sent long distances almost instantly by using a code of electronic pulses passing over a wire. The railroad and the telegraph spread across North America and helped create a national market, which in turn, encouraged additional improvements in transportation and communication.

Second Industrial Revolution

As American manufacturing technology spread to new industries, it ushered in what many have called the Second Industrial Revolution. The first had come on a wave of new inventions in centrally powered factories like iron making and textiles, and in new ways of organizing business and work. In the latter part of the nineteenth century, a second wave of technical and organizational advances carried industrial society to new levels. While Britain had been the birth place of the first revolution, the second occurred most powerfully in the United States.

With the second revolution came many new processes. More productive processes like the Bessemer process and the open-hearth furnace, transformed iron and steel manufacturing in the 1850s and 1860s. Factories and their production output became much largeras some industries concentrated on production in fewer, but bigger and more productive, facilities. In addition, some industries boosted production in existing, not necessarily larger, factories. This growth was enabled by technological and scientific progress, improved management, and expanding markets due to larger populations, rising incomes, and better transportation and communications.

It was in the automobile industry that continuous-process methods and the American system combined to greatest effect. In 1903, American industrialist Henry Ford founded the Ford Motor Company. His production innovation was the moving assembly line, which brought together many mass-produced parts to create automobiles. Ford's moving assembly line gave the world the fullest expression of the Second Industrial

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Revolution and his production triumphs in the second decade of the twentieth century signaled the crest of the new industrial age.

Changes in Society

Industrialization brought deep, and often distressing, shifts in American society. The influence of rural life declined and the relative economic importance of agriculture dwindled. New technology was introduced in agriculture as availability of labour declined and markets for agricultural products grew. Machinery increased productivity so that fewer hands could produce more food per acre. New plows, seed drills, cultivators, mowers, threshers, and reapers appeared by 1860. After that, better harvesters and binding machines came into use, as did the harvester-threshers, also known as 'combines'. Farmers also used limited steam power in the late nineteenth century, and by 1905 they began using gasoline-powered tractors. At the same time, Americans began to apply science systematically to agriculture, such as by using genetics as a basis for plant breeding. These techniques, plus fertilizers and pesticides, helped increase farm productivity.

The Industrial Revolution in the United States led to major social changes such as the urban population grew, rural population declined, and the nature of labour changed dramatically.

SPREAD OF INDUSTRIALIZATION IN EUROPE

Beginning in Britain, industrialization spread to the Continental countries of Europe and the United States in different times during the nineteenth century. First to be industrialized on the continent were Belgium, France, and the German States. It was only after 1850 that the Industrial Revolution spread to the rest of Europe and other parts of the world.

In 1815, the Low Countries, France and the German states were still largely agrarian and were experiencing developments similar to Britain. They, too, had population growth, had made agricultural improvements, expanded their cottage industries and witnessed growth in foreign trade. Britain's economy had moved into industrial directions in 1770s and 1780s, the Continental countries lagged behind because they did not share some of the advantages that had made Britain's Industrial Revolution possible. Lack of good roads and problems with river transit made transportation difficult; toll stations on important rivers and custom barriers along state boundaries increased the costs and prices of goods. Guild restrictions were also more prevalent, creating impediments that pioneer industrialists in Britain did not have to face. In addition, it was observed that the Continental entrepreneurs were generally less enterprising than their British counterparts and tended to adhere to traditional business attitudes, such as dislike of competition, a high regard for family security coupled with an unwillingness to take risks in investment, and an excessive worship of thriftiness.

An additional factor that affected the European countries was the wars of the French Revolutionary between 1790–1812. The wars wreaked havoc with trade, caused much physical destruction and loss of manpower, weakened currencies, and led to political and social instability. In the long run, the gap between Britain and the Continental countries widened. British equipment grew larger and expensive and as a result, the self-financing family enterprises of the European continent were either unable to, or unwilling, to raise the amount of capital necessary to modernize by investing in the latest equipment. Most of the entrepreneurs in France, Belgium and German States chose to invest in used machines and less productive mills. The Continental countries consequently faced many hurdles and their industrialization proceeded on a somewhat different path. However, Continental Europe threw up new processes for industrialization.

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Role of Government

Governments in most of the European countries played a significant role in economic affairs and therefore, furthered the development of industrialization. They provided for the cost of technical education, awarded grants to inventors and foreign entrepreneurs, exempted foreign industrial equipment from import duties, and in some places, even financed factories.

Joint Stock Investment Banks

The Joint-Stock Investment banks mobilized the savings of thousands of small and large investors, creating a supply of capital that could then be ploughed back into industry. The pioneers in this were two Belgian Banks, *Société Générale* and the *Banque de Belgique,* who, by accepting savings from many depositors, developed a large capital resource which they invested in railroads, mining, and heavy industry. The French Consul in Leipzig noted, "Every town and state in Germany, however small it may be, wants its bank and its credit mobilizer." These investments were essential for continental industrialization.

Borrowing Machines

The Continental European countries used to simply borrow British techniques and practices until, one day. Britain decided to take steps to prevent this. Till 1825, British artisans were prohibited from leaving the country, and until 1842, the export of important machinery was prohibited. In spite of these restrictions, many British continued working in other countries and the equipment was being sold legally or illegally.

There were, however, major differences in industrialization patterns between Britain and Continental Europe:

(a) In Britain, cotton manufacturing was mostly centered in Lancashire and the Glasgow area of Scotland while France, Belgium and German states, the cotton mills were scattered across the region.

(b) While the Industrial revolution in Britain was built on the cotton industry, on the Continent, the iron, coal and heavy industry led the way.

(c) Industrialization in Britain was more individual-owned while the capital in the European continent came primarily from joint-stock corporations.

INDUSTRIAL REVOLUTION AROUND THE WORLD

In Russia, the government made repeated efforts to enable industrialization, sometimes hiring foreigners to build and operate whole factories. However, despite this, industrialization was slow and the Russian economy remained largely agricultural for a long time.

In Japan, the first industrial Asian nation, the central government made industrialization a national goal during the late nineteenth century. In some areas of China, it began only in the early twentieth century and increased towards the end of that century while other Asian and Pacific Rim countries, such as South Korea and Taiwan, began to industrialize after the 1960s.

In Southeast Asia, sub-Saharan Africa, India, and much of Latin America—areas that were colonies of Western nations, or that were dominated by other nations for long periods—industrialization was much more delayed. The legacies of colonialism made widespread change difficult because the society and economy of colonies were heavily controlled by and dependent on the parent country.

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Although different cultures produced distinctive variations of an industrial revolution, the similarities are striking. Mechanization and urbanization were central to each area in which the Industrial Revolution succeeded, as were accompanying tensions and disruptions.

Table 4.1 lists out modern technological innovation and economic growth.

TABLE 4.1 Modern Technological Innovation and Economic Growth

Wave	*Invention Dates*	*New Technologies*	*Base*	*Economic Growth Spurt*
1.	1760s–1770s	Steam Engine, Textile manufacturing, chemistry and civil engineering	Britain	1780–1815
2.	1820s	Railways and Mechanical Engineering	Britain, Continental Western Europe	1840–1870
3.	1870s–1880s	Chemistry, electricity, internal combustion engine	Germany, United States	1890–1914
4.	1905–1911	Introduction of Assembly Line	United States	1915
5.	1930s–1940s	Electronics, aerospace, chemistry	United States	1945–1970
6.	1970s	Microelectronics, biotechnology	United States and Japan	1965

Source: Adapted from Parcey (1983; 32)

Industrial Revolution and its Impact on the World

Over the next century and half, the Industrial Revolution completely transformed economic and social life in Europe and North America, and spread to other countries such as India, Japan, Russia and China.

There are four aspects of Industrial Revolution that deserve emphasis.

(a) Across nations and periods, the Industrial Revolution had certain core features and was driven by a series of interconnected developments in technology and organization.[9] In technology, core characteristics were a cumulative process of invention and innovation, the substitution of machinery for human labour, the discovery of new chemical and metallurgical processes, and the harnessing of new forms of energy to production.

(b) The spread and development of free labour markets and a contract-based employer-employee relationship. As industrialization progressed, social and economic relations passed from one of "status" to "contract" andlabour became a commodity,[10] albeit a human one, and was increasingly bought and sold in markets.[11]

(c) The diversity in national experiences and development profiles. Despite the core elements of the Industrial Revolution, no two countries followed the same path of industrial development over the nineteenth century. By the end of the century, however, the United Sates was the industrial leader, and in many areas, Germany had surpassed Britain.[12]

(d) Concentration of industrialization in few countries. One hundred years after its birth, industrialization was still a feature limited primarily to Europe and North America. For example, at the beginning of the twentieth century, 80 per cent of the world's industrial production was concentrated in four countries with less than 10 per cent of the world's population.[13]

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SOCIAL IMPACT OF THE INDUSTRIAL REVOLUTION

Early Industrialization

In Europe, early industrialization, which left its mark on every civilization, is characterized by the following traits:

(a) End of Feudalism: The feudal system existed in Europe from the collapse of the Roman Empire, circa AD 400, until the Renaissance period, circa AD1400. With the Industrial Revolution, the feudal system faded into the background. Article XI of the Decree Abolishing the Feudal System, August 11, 1789, wrote: "All citizens, without distinction of birth, are eligible to any office or dignity, whether ecclesiastical, civil, or military; and no profession shall imply any derogation."

(b) The use of 'machines' worked by hand or with the help of domesticated animals, such as spinning wheel, the oxen plough or a hand loom.

(c) The increase in production which makes possible the storage of a certain amount of goods to be applied to further production.

(d) A considerable growth in the division of labour so that the master and the labourer become more differentiated. The smith, weaver, and carpenter made their first appearance on the economic scene now. Such trades and specialization hardly had any place in a primitive community.

(e) The importance acquired by 'raw materials' such as wool or silk as a means to create large amount of surplus production for exchange when transformed by the machine.

(f) As a consequence of the above, trade and commerce developed and society saw a more defined and systematized use of money.

This type of economy came with several varieties. It developed within the framework of various social systems of which the more Economy.

Social Activity in Industrial Plant

In a mill or a factory, a number of persons have some role to play before the raw material is turned into a finished product. Not all work on machines; there are employees with various skills and diverse functions, supervisors who direct the operations, managers, clerical workers, executives who formulate and direct the general policies of the organization and host of technical specialists. These different people and activities make a factory or plant an organization. This concept of an organization implies an interrelationship among parts or elements. or among persons. Thus, one employee's position places him in some definable relationship to all others persons in the organization. As such, an industrial plant or a factory is a social organization, and many problems arise in reference to just these questions of position and activity.

Every industrial plant also has a 'social structure' or a network of reciprocal rights and obligations, supported by sentiment and formal rules. Its function is to provide order and stability in the operation of the organization and provide predictability in the social relationships of individuals in various positions. In considering the industrial plant as a social unit it is important to determine its fundamental structure: who does what, and why?

An industrial plant is an ongoing concern. Hence, one needs to know the actual pattern of social relationships, whether formal and official or informal or unofficial, the prevalent sentiments and attitudes about the organization in general, or about particular rules and personalities. Since the industrial plant is a complex social organization, a sociological viewpoint is useful for understanding the operation of the factory

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or mill. Figure 4.1 shows the process of change initiated by industrialization. These shall be discussed in detail in subsequent chapters.

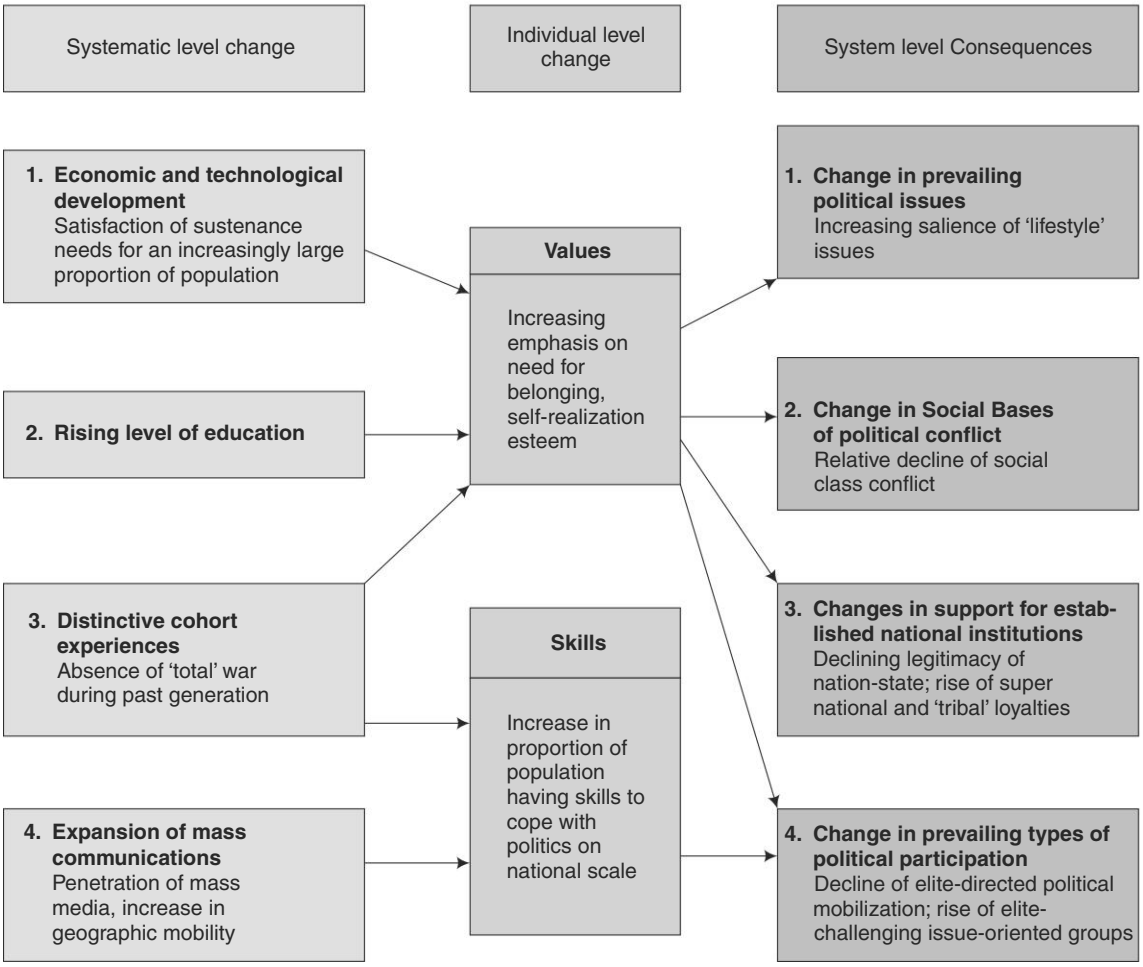

FIGURE 4.1 Process of change

Costs and Benefit

Modern, industrial societies created by the Industrial Revolution came at a cost. The nature of work became worse for many people, and industrialization placed great pressures on traditional family structures as work moved outside the home. Economic and social distances between groups within industrial societies are often very wide, as is the disparity between rich industrial nations and poorer neighbouring countries. The natural environment also suffered with rapid industrialization as pollution, deforestation, and the destruction of animal and plant habitats continue to increase.

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The greatest benefits of industrialization are increased material well-being and improved healthcare for many people in industrial societies. Modern industrial life also provides a constantly changing flood of new goods and services, giving consumers more choices. With both, its negative aspects and its benefits, the Industrial Revolution has been one of the most influential and far-reaching movements in human history.

SUMMARY

In this chapter, effort has been made to define industrialization and discuss the Industrial Revolution and how it progressed. The Industrial Revolution started in Britain and then spread across the world. It is still in progress in some Asian and African countries. The prime reason behind the Industrial Revolution was the agriculture surplus and rise in population, resulting in making some of the people redundant in agriculture. This resulted in people moving from agriculture to other activities.

The surplus population moved from small villages to cities, giving rise to urbanization and breaking of old loyalties and families. The British Government encouraged the spirit of free trade and commerce by not interfering. Soon Britain became the richest country in the world. This revolution was primarily in use of *mechanical* means of production. The Industrial Revolution spread to other countries. The United States, however, benefited the maximum and ushered in a new era, known as the Second Industrial Revolution, which was primarily of *processes*. The United States improved the process of manufacturing of iron and automation/assembly line production. It soon took over other countries as the richest country in the world.

The Industrial Revolution in the European continent followed a distinct path; it initially used old machines, and guilds played a dominant role. However, one of the major features was raising of capital through banks. Every small town in the continental Europe had its own bank which owned joint stock in Industry. Industrialization affected society and its values. There was increased emphasis on 'self' and declining emphasis on social class conflict. There is spread of education and skills. Democracy has taken root.

KEY TERMS

The Industrial Revolution
Assembly line
Laissez-faire
Urbanization
Division of labour
Traditional economies
Joint-Stock Investment Bank

REVIEW QUESTIONS

1. What do you understand by industrialization? How is it different from the Industrial Revolution? Discuss.
2. The Industrial Revolution first started in Britain? What were the major reasons for its success in Britain?
3. Iron and coal are considered the main instruments of the Industrial Revolution. Discuss.
4. The steam engine is considered the machine of the Industrial Revolution. Do you agree with it? Justify your answer with reasons.
5. How did the Industrial Revolution impact work? Give examples to substantiate your answer.
6. Growth of cities is one of the outcomes of the Industrial Revolution. What were the reasons for growth of cities? How did cities impact the social life of citizens?
7. Write in brief about the Industrial revolution in the United States.

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8. The Industrial Revolution was slow in penetrating mainland Europe. What were the reasons for slow penetration? What were the unique features of the Industrial Revolution on mainland Europe? How did it differ from industrialization in Britain?
9. What were the reasons for industrialized countries to prevent spread of industrialization? How did they prevent the spread of industries? Discuss.
10. What is the social impact of industrialization? Explain.
11. Write a note on social activity in an industrial plant.
12. Kerr has one of the most influential analyses. In their work, *Industrialism and Industrial Man*, Kerr et al. (1973), see a compelling logic underlying industrialism which means that whatever choices are exercised by human beings they cannot avoid, in the long run, having technology of industrialism without a set of concomitant structural and cultural features. Do you agree with the statement? Justify.

PROJECT WORK

The students should be divided into small groups and asked visit to small industrial town near their location. They should study the pattern of industry and survey the population to determine the uniqueness in terms of demographic nature, education, methods of holding in company, social activities and see if there are subgroups. The students should be asked to present their findings in the class for discussion.

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CHAPTER FIVE 5

Work: Meaning, Orientation and Experience

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- Definition and categories of work
- The ideological currents of work and division of labour
- The Western and Eastern work orientations
- Unemployment, occupation and occupational roles
- Self-identity and subjectivity at work
- Concept of leisure and recreation
- Practice of work avoidance

TAKING TIME OFF—HOW USEFUL IS IT?

Ramesh often takes time off from work to relax. But in today's rough-and-tumble economy, that holiday has also become stressful for employees. And where there is stress, litigation cannot to be far behind.

To reduce costs, yet keep workers on the job, some employers prefer to be understaffed or force or request workers to take personal time off. While, in many cases, this helps avoid mass layoffs, such strategies could lead to a heartburn, if not done properly.

Traditionally, furlough (voluntary time off from work without pay) are not uncommon among blue-collar jobs in seasonal and contractor industries such as manufacturing or construction. But now, it has spread to the white-collar employees, which in turn, affects other professional, administrative and executive of the company.

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"It is too early to really determine what effect Ramesh's leave or vacation will have," says the assistant medical superintendent, Metro Heart Hospital and Institute. Many workers across the country are doing this but they need to ensure that this strategy doesn't violate any standing orders, state or central rules."

Hari, a 'labour and employment consultant' in the Delhi, agrees. "It is getting popular to find cost-cutting measures by minimizing the number of folks needed to manage the show. But employees have to be careful, especially when using leave and furloughs," he says.

According to David, a partner in the labour and employment law practice group, the main challenge is that "the Central Acts, and most state wage-and-hour laws are not designed to be flexible or to facilitate the concerns of the present-day workplace. Employees, who are contemplating furloughs, must study these carefully".

How popular are these alternative tactics to work?

Industrialization brought in a new concept of work, i.e., work for wages. The question 'why work' has received attention ever since humans went in search for food, to quell hunger. Work is a universal activity and natural to human beings. It is one of the major factors of production, consisting of manual or mental exertion for which wages, salaries or professional fees are received. Work is an activity, physical or mental, which one engages in to earn a living. It can be measured, says Cottrell,[1] in the same terms as any other physical act. Ernst Fischer sees work as activity engaged in for a human being's survival, but physical survival is interwoven with the idea of social survival and a rewarding social status. Psychologically, work identifies man with his fellows, and their values.

People are known by what they do; to do no work is to be nothing as we are defined privately and socially by our work. Whether pleasant or painful, work helps define individual identity. We often introduce ourselves by naming skills or places of employment; we relate occupation to race, ethnicity, gender, religion, and region. Workers uncomfortable with abstract discourse assert, "I am a workaholic" or "hard work is my middle name." Philosophers may translate such vernacular lines into "I work, therefore I am".[2]

In the Western countries, men wore their occupation as their names. So, you have Baker, Butcher, Cook, Cooper, Clark, Fletcher, Porter, Sheppard, Shoemaker, Smith, tailor, Tanner, Weaver, etc. all identified by their occupations. Similarly, other cultures also have such examples.

DEFINITION AND CATEGORIES OF WORK

Applebaum (1992, p. ix), the historian of work, said:

> "Work is like the spine, which structures the way people live, how they make contact with material and social reality, and how they achieve status and self esteem…work is basic to the human condition, to the creation of human environment, and to the context of human relationship."

In modern society, paid work has been found to be important for well being. Work relates to all human activities. The famous anthropologist, Raymond Firth defined work as 'an income producing activity'. An oversimplified definition is that work uses the things and materials of nature to fashion tools to make objects, grow food, and control the living creatures and forces of nature to satisfy human needs and wants.

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Economists take a limited view in defining work. To them, it is an economic activity of a particular kind, identified as labour, and it must be detached, like the performance of machines, from social values. Dubin[4] defines work as:

> "By work we mean continuous employment in the production of goods and services for remuneration. This definition has three elements (a) work is continuous; (b) it results in production and goods; (c) work is performed for pay. These three elements in the definition of work are necessary to differentiate work behaviour from other kinds of human activities."

Sociologists define work as 'productive human activity that creates something of value, either goods or services'.

There are two main categories of goods created by work:

(a) Things such as food, which sustain life and are used for providing sustenance

(b) Objects such as tools, shelter, roads and machinery, which are used for long periods of time

In a strict sense, 'work' refers to the activities people perform based on their position in a work organization and which entitle them to an income or another financial recompense. This context applies to most topics in Industrial Sociology. The relationship between work and industrial sociology is shown in Figure 5.1.

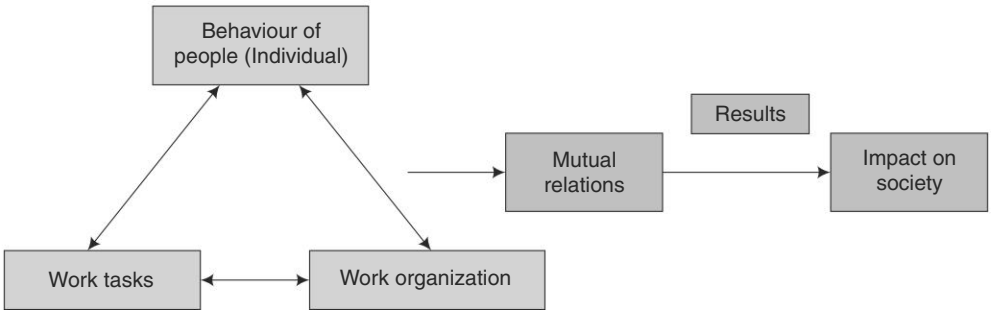

FIGURE 5.1 Work and industrial sociology

What Work Provides?

Work provides people with the following:

(a) *Identity* When we meet people, we ask, "What do you do?" People are identified by the work they perform.

(b) *Relationship outside the family* Our relationships with our colleagues and supervisors define us and shape our views and social roles.

(c) *Obligatory activity* The obligatory activities and time constraints of work provide a structure to our everyday lives. Without work, the whole day may look as a time-filler without purpose.

(d) *Source of autonomy* In individualistic cultures, autonomy is among the most cherished values; on it, rests the foundation of a job, the money it provides, the goods that can be purchased with that money, and the tangible values of "standing on one's own feet."

(e) *Opportunities to develop skills and creativity* Apart from genetically influenced general cognitive abilities, the important skills and abilities we have, are either developed or honed in the performance of a succession of jobs. We establish the base of these skills in the classroom but we hone and develop them on the job.

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(f) *Purpose of life* The importance of family notwithstanding, work provides most of us with a sense of purpose.

(g) *Feelings of self-worth and self-esteem* Accomplishments at work give us a sense of self-worth and self-esteem.

(h) *Income and security* Work provides income that can be spent to acquire goods and services needed or desired. No other value received for work can be exchanged for the things that money can. Money is a nearly universal metric used to measure accomplishment.

(i) *Other activities like leisure* Without a work routine, our other activities would have no defining base. It provides the ambient structure against which other activities are compared and defined.

IDEOLOGICAL CURRENTS

Giddens defines ideology as 'a system of shared ideas serving to justify the interests of dominant groups in society'.[5] The term 'ideology' has been used in two ways in industrial sociology:

- *Ideology as a critical concept:* Ideology is used critically by evaluating an existing set of ideas and values that claim to explain the nature of the social world in which we live. Marxism, for example, suggests that capitalism as an ideology conceals the real nature of exploitation in society.
- *Ideology as a disruptive concept:* A range of competing ideologies is described without necessarily giving priority to one system of ideas over the others. They are descriptive devices used to analyse competing ideas and their relative influence upon the social system.

Ideologies are important to industrial sociology because they shape the way we understand the following:

- Nature of industrial work
- Users of the industrial products
- Nature of industrial organizations
- Value and purpose of work within an industrial organization

In work, there are two ideological currents viz. the 'Right' and 'Fabians'. These are not ideological perspectives but are useful to highlight some of the key debates on the role of individuals and the State in employment and work (see Tables 5.1 and 5.2).

TABLE 5.1 The Rightist

Concept	*Explanation*
Human nature	Individuals require both, freedom to choose and incentives to do well. If unsuccessful, they must accept the consequences of these choices.
The State	It should practice minimum interference; government must encourage free enterprise, be strong in terms of law and order, and conserve existing institutions and morality, e.g., the nuclear family, 'traditional values', respect for authority etc.
The welfare state	Nations look after their citizens. The concept of welfare state must encourage independence and self-help. The state must control behaviour, which challenges traditional values of institutions e.g., having children outside marriage etc.
Community—spontaneous	It develops through individual and family attachments in small local neighbourhoods.

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TABLE 5.2 Fabianism

Concept	*Explanation*
Human nature	People are social and not purely individual beings; society should organize to strengthen solidarity and community cohesion.
The State	The State is more efficient than the market, and should attempt to create equality and social justice by reducing extremes of income and wealth.
The welfare state	The 'welfare state' is the vehicle to promote altruism, solidarity and community by providing universal social services to all.
Community	Left to themselves, communities can be destroyed by individualism; it has to be nurtured and developed by the State.

DIVISION OF LABOUR

'Division of labour' is the systematic interrelatedness of different tasks that develop in complex societies. When different groups engage in different economic activities, a division of labour is said to exist. In a simple division of labour, a man takes up a job to earn a living while the wife looks after the house hold. In the past, division of labour was when one group carried out agriculture while other group hunted.

'Class division of labour' can be observed by looking at the work done by people with different educational backgrounds since education is a fairly reliable indicator of class. People with higher education tend to work in better paid and more prestigious occupations. Class also leads to perceived distinctions in the value of manual labour versus mental labour. Those doing mental jobs (doctors, managers and professionals) also referred to as the 'white-collar workers', have a better pay and prestige than those doing manual labour or the 'blue-collar workers'. White-collar employees include salaried professionals and clerical workers and are associated with the upper middle and rich classes since their work is primarily office related.

A blue-collar worker is generally viewed as a middle-class skilled labourer, who may work in an industrial setting or other hands-on professions. Over time, the term 'blue collar worker' represented the regular working class citizen who provided for his/her family. A blue collar worker is believed to have traditional values, a strong sense of patriotism and a solid work ethic. Many of these workers are either members of a labour union or strongly support workers' rights in non-union labour situations.

Recently, a third sector, called the 'green collar work' has emerged, and is growing in both, popularity and support. Green collar jobs involve products and services that are environment-friendly and any organization that employs eco-friendly methods is considered 'green'. These jobs include work related to the design, manufacture, installation, operation, and/or maintenance of renewable energy and energy efficiency technologies. A booming sector, the green collar industry it is currently the fifth largest market sector in the US. It is now picking up in India with corporates realizing the benefits of environmental protection.

'Gender division' of labour refers to the different work that women and men do. This belief that some work activities are meant for women while others are a man's work, has contributed to the inequality between women and men, especially since society usually values a man's work far more.

WORK ORIENTATION

Work tradition is classified as Western and Eastern Orientation. This orientation is used to understand the ways in which different individuals and groups approach their work and believes that work offers intrinsic and extrinsic satisfaction to people (see Figure 5.2).

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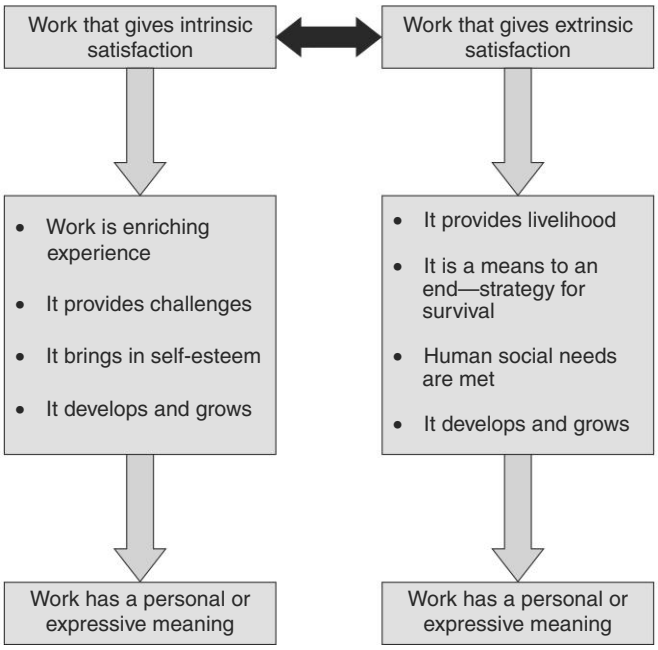

FIGURE 5.2 Intrinsic and extrinsic satisfaction of work

Western Orientation

Among all the written records on the Western attitude towards work, the oldest is Homer's description of society, in which the key institution is the aristocrat *oikos*. Oikos was the family group residing on the landed estate. It encompassed slaves, hired workers and craftsmen, retainers, guests, visiting relatives and allies, and strangers (mostly nobles from foreign lands). Work, in ancient Greece, was more than an activity to satisfy material needs; it was religious act. Work on land was part of the natural and divine order and required sacrifices to Zeus and Demeter. The whole community worked and this communal nature of work is captured graphically in the description of *Shield of Achilles* by Homer.

Despite their humble beginnings, the Romans conquered Europe in the eighth century B.C. The basic weakness in the Roman Empire was that the system of work was based on slavery, and the burden placed on those who had to labour on the land and in the workshops. The poor, no matter what their occupation, were looked down upon. Of these, those who did manual labour were the least admired.

Even the Bible has not given great status to a manual worker. One of the most stubborn myths in Western culture is that God cursed Adam to punish him for his sin, and that curse is work.

The distinction between 'liberal' and 'servile' occupations is still followed in some places. J.L. Hammond and Barbara Hammond[6] suggested that the connection between Negro slavery in the United States and the hard dealing of labour in Europe was, as was the fact that both were influenced by the classical master-slave mentality which, despite the efforts of the Church and other humanitarian work, remains somewhat alive even today.

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Eastern Orientation of Work

India is one of the oldest civilizations of the world and its rich culture has been appreciated by many across the world.

In his famous work, *Manusmriti*, Manu gives a treatise on 'why' and 'what' a person should do to the exclusion of 'how'. Work in Indian society is strictly compartmentalized and assigned to various castes and sub-castes. Manu writes: "the occupation of the Brahmins was to teach the study of scriptures, offer sacrifices and accept alms. The occupation of Kshatriyas was to protect people; of Vaisyas was to tend to cattle, trade, lend money and cultivate land while the Sudra was to serve other castes." According to him, the Sudra had to do servile work. Kautilya, reputed for his treatise *Arthasastra*, also talks of kingship and covers a large spectrum of requirements of a king. He echoes Manu by saying that a king should protect his subordinates, exercise restraint, acquire discipline by learning, and must exercise self control.

NATURE OF INDUSTRIAL WORK

Work in an industrialized civilization differs from pre-industrial work. Work has diverse meanings, just like widely-used terms such as community, residence, society, leisure. Work means different things to the literate labourer and the scholar; to the housewife and the career woman, or to the farmer and the industrial worker. Values differ from one level of work to another such as from unskilled to white collar, or from technical to administrative. Sometimes, work is associated with burdensome activity or with suffering; a woman in childbirth is 'in labour'; in English, labour is also used heavy routine work bringing little reward.

Stanley Parker[7] notes that we tend to speak of 'work, labour and employment' in one connotation. However, he adds:

"Only the last of these implies a social relationship, although it is sometimes used in the same non-social sense as work, for example, when we say someone is 'self-employed'. The most common form of employment consists of an employer… hiring the working abilities of an employee during set hours. For the employee, this is the equivalent of working time, and it is relatively easy for him to distinguish this from non-working time, a part or the whole of which may be defined as leisure."

UNEMPLOYMENT AND JOBLESSNESS

Unemployment and under-employment prevail in almost all countries of the world. These problems not only have a serious effect on the living standards of people and the socio-economic status of a nation but also elevate the magnitude of corruption, poverty, crime and suicidal rates in a society.[8]

Unemployment negatively affects the physical well-being of people. The unemployed are likely to experience depression, hopelessness, disgrace, annoyance, bitterness, and humiliation.[9] This can lead them to crimes like dishonesty, fraud, theft and violence or other mental and health disorders, drug abuse and psychosomatic ailments.[10]

Cost of Unemployment

Unemployment is a curse of industrialization. At an advanced level, it can lead to increased poverty, crime, political instability, mental health problems, and diminished health standards. Farnsworth et al. (1994)[11] showed that unemployment has a strong relation with criminal behaviour. Therefore, economics and industrial

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All in the Family: Children of Business Families

A relatively common pattern among Indians is to establish small family business, using the labour of family members to establish and run the venture. Owning a family business is part of their dream, thus idealized as promoting entrepreneurial and family values, including the values of hard work, devotion to family and self-sacrifice.

What kind of a life does this offer for the children of Indian families?

This desire to own a family business tends to make Indian families close-knit and conflict-free. In such families, teenagers feel overworked with little 'quality time' since some of them might have worked since their childhood.

Often, parents set up a small 'home away from home' in the family's restaurant or business with a small corner where children can study or play. These children often get involved in their parents' work and household chores or even serve customers.

Discussion Questions

1. Are businesses in your adjacent areas run by families? If so, do you see the children's involvement in the business and what impact does it have on them?

2. In addition to businesses, how are children involved in the work that their parents do? In what ways, does this influence the children's identities, values about work, and future opportunities?

sociology focus on understanding the forces that create unemployment and trying to mitigate their negative effects. Joblessness often means lack of social contact with fellow employees, low self-esteem, increased mental stress and illness, and the inability to pay bills or purchase goods. Using data on 14- to 21-year olds from the US national Longitudinal Survey of Youth, Goldsmith et al. (1996)[12] analysed that unemployment decreases an individual's awareness of personality, self-worth, and confidence and increases the incidence of depression and hopelessness.

Often, unemployment, lack of financial resources, and social responsibilities may even push unemployed workers to take jobs that do not fit their skills or allow them to use their talents. In this case, unemployment can cause under-employment, which is one of the economic arguments in favour of having unemployment insurance.

Living in a jobless household can have many adverse consequences for children and young people. Unemployment has been linked to truancy and non-completion of schooling, family break-ups, spouse abuse, substance abuse, illness and premature death.[13] Gregory[14] draws attention to the fact that children's future development depends on access to economic resources during the first 15 years of their life. Moreover, joblessness can generate tension and conflict in families, resulting in poor health, family violence and social exclusion due to a loss of social and professional[15] contacts in the workplace.[16] Sometimes, the stress generated by joblessness can be linked to medical problems resulting from a poor diet and/or excessive consumption of alcohol.[17]

The psychological stresses caused due to unemployment determine the attitudes of individuals towards their own personality and society at large. The unemployed often suffer hopefulness, acquiescence, desperation,[18] and indifferences.[19]

SKILL AT WORK

Principal factors, which affect the level of efficiency of labour are knowledge and skills.[20] However, when one wants to work, but not to earn a livelihood through it, the focus shifts to an acquisition of knowledge vis-à-vis skills. According to Braverman,[21] the changing scientific and technological conditions of industrial (and

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office) work have rendered traditional skills redundant and altered the definition of 'skills': "For the worker, the concept of skill is traditionally bound up with craft mastery, that is to say, the combination of knowledge of materials and processes with the practiced manual dexterities required to carry on a specific branch of production. The break-up of craft-skills and the reconstruction of production as a collective or social process have destroyed the traditional concept of skill and opened up only one way for mastery over labour processes to develop in and through scientific, technical, and engineering knowledge."

Technology in the industrial age is developing fast, compelling entrepreneurs to upgrade in order to retain their competitive edge in the market. There is a long-run tendency through fragmentation, rationalization and mechanization for workers and their jobs to become deskilled, both in absolute sense (they lose craft and traditional abilities) and in a relative one (scientific knowledge progressively accumulates in the production process). Sometimes, even if workers have certain skills, the degraded job they perform does not demand these abilities. Thus, a worker, regardless of his/her personal talents, may be more easily and cheaply substituted in the production process.[22]

To gain efficiency, knowledge may be an important factor for labour, but it is only a component along with practice and experience. Therefore, from the perspective of developing economies, issues in skill development have assumed immediate priority in planning and practice (see Table 5.3).

TABLE 5.3 Ueli's types and characteristics of skills

Type of Skills		*Characteristics*
Basic skills, culture, welfare	1.	Basic life skills such as in nutrition, child care, health-care, cultural skills, literacy, numeracy etc.
Production skills	2.	Skills in producing something useful (a product or a service) and directly making money out of what one produces.
	3.	Skills in adding value to rural products (marketing chains…..)
Organizational skills	4.	Skills in communicating within the established environment and with new partners, skills in using communicational equipment to access and distribute information, and skills to use the information for one's own benefit.
	5.	Skills in organizing informal cooperation within and among livelihood coalitions.
Financial and managerial skills	6.	Skills in making financial transactions, even over large distances.
	7.	Skills in financial management of private investments.
	8.	Skills in managing formalized cooperative efforts (all sizes from five-member women's credit-group to large multi-village collaborations). Skills in the financial management of shared investments.
Communal skills	9.	Skills in communal decision-making to organize and manage public interest at the local level, particularly the management of common-property resources (natural resource management, forests, grazing, water resources, transport facilities etc.)
	10.	'Political' skills of negotiating common interests among various stakeholders, and forming and mandating the common institutions to take care of those common interests.

Source: Ueli Scheuermeier, Agridea (2006), 12 theses for working on Skill Development in Rural Areas [SDRA], Swiss Agency for Development and Cooperation, Employment and Income Division, Working Paper, June

OCCUPATION

Occupation is also a primary element in social organization and an indicator of social status and role in modern societies. It is a locus of cohesion and solidarity in factories and cities of industrialism. Social identification of persons, primarily with their place in the economic sphere, has become a characteristic

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of modern industrial societies. The emphasis on occupation comes from division of labour (occupational specialization) and a notion of vocation emphasized by Calvin and later by reformists thinkers, both of which has been institutionalized in industrial societies in the organization of work.

Industrialization produced a rapid and sophisticated expansion in the division of labour and a more complex society. As occupational differentiation expanded, a concomitant diversification oof societal norms, values and people's outlook occurred. Social solidarity in industrial/post industrial society is found in the interdependence of members of occupational groups. This leads to 'organic solidarity'. The better the ability of parts to operate independently, greater the harmony, thus division of labour laterally produces solidarity. Durkheim has regarded occupational specialization as central to the nature of solidarity as people with same occupation have greater interaction and interdependence of work and this results in solidarity in an organization.

Occupational Roles

Occupational roles refers to the part incumbent on a person in the work organization and 'pervasiveness' indicates this role's degree of penetration into other life roles. An occupation with high status comes with more roles attached with it. Thus, the position of a gardener or a peon comes with few requirements since these occupations need limited, well defined skills and few peripheral elements. In contrast, a manager in large company requires many more qualities than mere formal competence.

The pervasiveness of an occupational role bears no direct relation to its status. Highly pervasive occupations such as the village policeman and *patwari* carry low status, but high prestige, while less pervasive occupations such as that of industrialist, are accorded high status.

PROFESSIONALS

The word 'professional' refers to a person who has a degree in a professional field. It denotes a white collar working person, or someone who performs commercially in a field typically reserved for hobbyists or amateurs. Professionals include highly educated, mostly salaried workers, who enjoy work autonomy, economic security, a comfortable salary, and are commonly engaged in creative and intellectually challenging work.[23] At times, the term may also refer to a person having impressive competence in a particular activity.

SELF, IDENTITY AND SUBJECTIVITY AT WORK

Employee 'subjectivity' is 'a product of disciplinary mechanisms, techniques of surveillance and power knowledge strategies'.[24] This subjectivity derives from our understanding of the 'self', our conception of ourselves as people with personalities. According to Mead ,[25] the 'self' can be both, the subject and the object. The self bears no resemblance to the body, which can exist and operate in an 'intelligent' fashion without the 'self' being involved in the experience. In other words, it is a way of perceiving our total 'being in the world'.

Identity is core to an individuals being and represents the difference between 'them' and 'others'. Identity not only differentiates an individual from others, but simultaneously allows them to see themselves as similar to a group of individuals with whom they closely associate. It is defined as "a general, if individualized, framework for understanding oneself that is formed and sustained via social interaction" and is 'relational and comparative concept.'[26] Identity produces strong emotions of loyalty, a trait organizations value.

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Criteria for Professionals

Main criteria for being a professional include the following:

1. Academic qualifications such as a teaching degree (University doctoral program) theological, medical, or law degree from a university college/institute.
2. Expert and specialized knowledge in the field one is practising professionally. (Gilbert, 1998).
3. Excellent manual/practical and literary skills in relation to profession (Beeghley, 2004).
4. High quality work in (examples) PLS explain: creations, products, services, presentations, consultancy, primary/other research, administrative, marketing or other work endeavours.
5. A high standard of professional ethics, behaviour and work activities while carrying out one's profession (as an employee, self-employed person, career, enterprise, business, company, or partnership/associate/colleague, etc). Often the professional is required to put the interest of the client ahead of his own interests.
6. Reasonable work morals and motivation. An interest and desire to do a job well and a positive attitude towards the profession are important elements in attaining a high level of professionalism (Eichar, 1989).
7. Individual not requiring supervision.

In Britain and elsewhere, professionalism is often designated by the Royal Charter.

Confederation of Indian Industry (CII): CSR and Skill Development

CII offers advisory/consultancy services and technical assistance to industry on social development. The objective of consultancy service is to build CSR capacity and competency within companies. An area of CSR consultancy for artisan empowerment is its 'Skills Development Programme', which trains a 'multi-collar task force—white, grey, blue and rust' to make India the 'skills capital of the world', provide state-of-the-art training to meet the skill shortage faced by businesses. It provides credible certification of skills, and catalyzes private sector business/commercial solutions to enhance the ability of the poor to command assets and incomes from wider markets.

CII launched the Skills Development Initiative in 2004 to make it a catalyst in creating a skills movement in the country. It hopes to generate social inclusiveness and provide the socially and economically vulnerable population a chance to be part of the mainstream economy. The initiative proposes to "skill a million Indians" by harnessing India's 'Demographic Dividend' and equip people for better employment/self employment in the country and abroad. CII views skills as a 'global currency'.

The key features of the Skills Development Initiative are its localized and need-based approach, scalability, output orientation, practical hands-on skills, focus on training and testing, accessibility, quality and cost-effectiveness, independent assessment and verification, joint certification by awarding bodies and partners, centrally administered 'Train the Trainers', and most importantly 'benchmarked international standards of performance'.

To take the movement further and make use of the considerable demographic strength of India, CII has registered a Skills Development Trust to provide mandate to the Skills Development Initiative. It is also conducting 'Skills Gap' studies across the country through credible partners to project the skills needs and gaps of different states by 2015.

CONCEPT OF LEISURE

Parker[27] states: "Leisure is the opposite of work; leisure as detachment, passivity, and general absence of effort is not reconcilable with work, but leisure as interest, pleasurable activity, and a creative self-expression can be continuous with some aspects of work. Our aim can thus, include the growth of leisure time in which to do the work we wish. The integration of work and leisure means more than just introducing a few bits of leisure-like activity into certain restricted parts of the working day; it means a whole new pattern of daily activities."

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TABLE 5.4 Parker's Trilogy of Patterns of Leisure in Relation to different Work Experiences

Extension Pattern	*Neutrality Pattern*	*Opposition Pattern*
1. Work extends into leisure. Individuals have a high degree of involvement, autonomy and job satisfaction. 2. Occupations include; business, medicine, teaching, social work. 3. Work is a central life interest rather than family and leisure. Time for leisure is short used for the development of personality, for example business workers entertaining clients at dinner parties, golf course. Social workers run youth clubs.	1. Clear distinction between work and leisure. 2. Family life and leisure form the central life interest. 3. Occupations provide a low degree of autonomy, job satisfaction is with pay and conditions rather than work itself. 4. Clerical workers, semi-skilled manual workers. 5. Hours of leisure are long and used mainly for relaxation. 6. Leisure is often family centred.	1. Work is sharply distinguished from leisure. Leisure is the central life interest. 2. Associated with jobs providing a low degree of autonomy, which produces a feeling of hostility towards work. 3. Hours of leisure are long and used to recuperate and compensate for work. 4. It is typical of unskilled manual work.

Source: Adapted from Parker, Stanely (1971), *The Future of Work and Leisure*, New York: Praeger, p. 19

Lundberg, Komarovsky and McInerny[28], in their study, saw leisure as "the time we are free from the more obvious and formal duties, which a paid job or other obligatory occupation imposes upon us". Pieper[29] states: "Leisure is an opportunity to contemplate the greatness and goodness of God. Its true manifestation is otherworldly, a condition of the soul." To Pieper, "Culture depends, for its very existence, on leisure, which in turn, is not possible unless it has a durable and consequently living link with divine worship."

Parker has developed a trilogy of patterns in which leisure is said to develop in reaction to different work experiences (see Table 5.4). Leisure activities are conditioned by various factors associated with the way people work e.g., an individual's autonomy at work, involvement and job satisfaction.

Taking the restrictions in terms of space, time and activity into account, Deem (1986) indentifies four categories of constraint on women's participation in leisure. These are:

1. Those inherent in society; its structures and power relationships perpetuated and promoted through education, socialization practices and media representations.
2. Those inherent in daily situations in which women find themselves (e.g., home and family, peer group pressures, courtship practices).
3. Those inherent in the way leisure is organized and the attitude of the providers (most of whom are men).
4. Those imposed by women's perceptions of themselves and of appropriateness of particular leisure activity (e.g., sports).

RECREATION

Gray and Pelegrino[30] define recreation as follows:

> "Recreation is an emotional condition within a human being that flows from a feeling of well-being and satisfaction. It is characterized by feelings of mastery, achievement, exhilaration, acceptance, success, personal worth and pleasure and reinforces a positive self image. Recreation is a response of aesthetic experience, achievement of personal goals or positive feedback from others. It is independent of activity, leisure or social acceptance."

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The Recreation Management Training Committee, in its report, stated their reference point as: "We take recreation to mean any life-enhancing experience, which is an outcome of freely chosen activity." Recreation is seen as a process towards self-realization, fostering interaction, novelty, challenge, diversity, adventure, identity and other qualities. Thus, recreation can be perceived in two main ways:

(a) **Activity Focus** From the activity base, recreation can be seen to be an activity related to sports games, art and other leisure time pursuits. In this respect, recreation is product oriented and concerned with facilities and programmes.

(b) **Experience Focus** It is process oriented and the concern is on what an activity does for a person. It's concern is with well-being and self-fulfillment.

As a balanced lifestyle is important to an individual's well-being, it is clear that improving people's satisfaction with recreation will increase their quality of life and have a positive effect on their well-being, self esteem and confidence.

PRACTICE OF WORK AVOIDANCE

Though work is a universal activity, it is not always pleasant. In every society, ancient and modern, preliterate or literate, the one who shirks duty is always present. For De Man, "Work inevitably signifies subordination of the worker to remoter aims, felt to be necessary, and therefore involving a renunciation of freedoms and the enjoyments of the present for the sake of future advantage."[31] Summing it up; he writes:

"Physical irksomeness is an incommodity which men habitually make light of; it is not reinforced by the sanction of decorum, but it is otherwise as the spiritual irksomeness of such labour is condemned by polite usage. That is a cultural fact. There is no remedy for this kind of irksomeness, short of subversion of that cultural structure on which our canons of decency rest.

Every worker is simultaneously a creator and a slave. He is the latter, even if he be the happiest of creators, for he is a slave of his own creation. Freedom of creation and compulsion of performance, ruling and being ruled, command and obedience, functioning as objects – these are the poles of a tension which is imminent in the very nature of work."

From the above explanation, it can be said that work involves compulsion, coercion, subjection and necessity, and wherever there is compulsion, there is avoidance. However, work avoidance has become more

Work Avoidance

Avoidance comprises behaviours intended to provide temporary escape from work such as arriving late or leaving the work early, or being absent. It also involves minimizing time spent on tasks by goofing off while at work, or engaging in escapist drinking and/or substance abuse. An individual has to work to attain an object, as demanded by the needs and wishes of society. Experience shows that the attainment of this object is not always easy and may result in behaviours as under:

- *Planned avoidance* It represents a short-term strategy for avoiding dissatisfaction such as taking a day off, coming in late or leaving early or avoiding meetings or duties while at work.
- *Equity-enhancing retaliation* It broadens most conceptions of avoidance and withdrawals by noting that violent or aggressive behaviour can also represent a coping mechanism. It includes aggressive behaviour that restores satisfaction by either increasing the employee's outcomes (e.g., stealing), reducing his or her inputs (e.g. sabotaging the production process), or reducing the outcomes of other employees (e.g., gossiping, backstabbing, or otherwise making life miserable for others).
- *Capitulation* It reflects the observation that certain employees do not respond actively to dissatisfaction, at least in the short run.

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pronounced in modern society. It is defined in terms of trying to get away with putting as little work or effort as possible into achievement tasks.[32] The causes of avoidance can be grouped as follows:

(a) The inherent difficulties of work itself
(b) Contemporary concentration of men, capital and technology in industrial centers tends to obliterate the individual
(c) The peculiar conditions under which modern industry originated
(d) Job dissatisfaction and workplace negative emotions

Redundancy

Redundancy occurs when the "reason for dismissal is that the employer's needs for the employee to do a particular work is diminished or ceased". In recent years, redundancy is one of the most traumatic events an employee may experience. Announcement of redundancies invariably have an adverse impact on morale, motivation and productivity.

Handling Redundancy

Clumsy redundancy handling is bad for the employer's business and long-term reputation. A demoralized workforce, anxious about job security and critical of the handling of the redundancies of colleagues, is not likely to display commitment, enthusiasm and initiative. Therefore, the primary objectives of management should be as follows:

- Be transparent about the situation with the workforce and explain the policies and practices to those made redundant.
- Demonstrate the necessity for change.
- Give an appraisal of future employment prospects and details of changes in working arrangements.
- Handle redundancies in a responsible, fair and effective way.

SUMMARY

This chapter has presented work and its concept—the Western and Eastern Orientation. In the Western orientation, manual labour has been given no place. In the Eastern orientation, the work has been compartmentalized. The work gives an individual an identity and sense for living. It provides an individual means to meet social obligation.

The work has social class in terms of white-collar workers and blue-collar workers. There are also professionals who attain greater education and are known for their skills. The modern worker also looks for recreation and leisure to improve quality of life. There is natural tendency amongst the working class to avoid work, thus making discipline necessary.

KEY TERMS

Blue-collar worker
Green-collar worker
Leisure
Occupation
Profession
Recreation
Skills
Unemployment/joblessness
White-collar worker
Work

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REVIEW QUESTIONS

1. Define work. Why is work important for human beings?
2. How do you categorize work? Give a brief explanation of your classification.
3. What are the ideological currents of work? Explain in brief the various ideological currents.
4. Write a note on what people get from working.
5. Differentiate between the Western and Eastern orientations of work.
6. Lately, leisure and recreation have taken an important role in workers life. What do you understand by leisure and recreation? How are these important in modern industrial societies?
7. Write short notes on the following:
   (a) Occupation
   (b) Profession
8. What is work avoidance? How do you propose to overcome this problem?
9. Why is it difficult for women to make time for leisure?
10. The economic downturn brought redundancy in workforce. What is redundancy? How can the psychological effect of redundancy be limited?

PROJECT WORK

Visit the nearest service centre and identify the type of workforce. Find out how the staff members there spend their leisure time and what means of recreation they use. Prepare a report on work.

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CHAPTER SIX 6

Industrialization in India

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- The Indian business scenario in the past
- The phases of growth and development of Indian industry
- Post-independence industrialization
- Gandhi's concept of industrialization

India has a rich cultural heritage. Over the centuries, its immense wealth attracted several foreigners to invade and thereafter, settle down here. Today, the country has a number of cities but continues to be a predominantly agricultural nation with a large population in the villages. "The Indian agriculture communities are not unlike the peasant-agricultural communities one finds anywhere in world."[1] An Indian village contains a group of families, usually compound in structure, living in the midst of their agricultural lands. The technology used is simple and productivity low since life centres on subsistence. The focus is on material self-sufficiency, a trait associated with a general centripetal orientation to life in both the family and the community. However, although villages are dependent on agriculture, all families do not work on the farms. Only a portion practices agriculture while the rest specialize in various crafts and menial occupations. In exchange for the various services, the cultivators pay a fixed share of their produce to those providing these services. At the heart of this division of labour is the caste system and it is this practice of craft that gave rise to industries in India.

The Indian civilization, although predominantly agriculture-based, had flourishing internal and external trade and commerce. Indian industry and business was unique, innovative, dynamic and qualitatively superior to many other countries.

INDIAN INDUSTRY IN THE PAST

Industry, trade and commerce in India dates back to 5000 B.C. Historical evidence shows that even in those days, the country had planned cites and Indian textile, jewellery and perfumes were admired across the world. Indian traders used currency for business; they had guilds to protect the interest of traders, artisans and producers, all indicators of the complex development of trade and commerce here.

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Business: A Legitimate and Integral Part of Vedic Society

Business is viewed as a legitimate and integral part of society according to Vedic philosophy, but it should create wealth for society through honest means. Sarva loka hitam, states Vedic literature, which means 'well-being of stakeholders'. It emphasized an ethical and social responsibility system in all business undertakings. Simply put, an organization will sustain long-term advantages and obtain profits only if it conducts its businesses ethically and is socially responsible. The following quote states the importance of good business according to the Vedas:

"May we together shield each other and may we not be envious towards each other. Wealth is essentially a tool and its continuous flow must serve the welfare of the society to achieve the common good of the society (Atharva-Veda 3-24-5)."

Vedic philosophy insists that quality of work and service needs to be achieved in a business process model for long-term sustainability. It stresses on an equitable redistribution of wealth after having acquiring it.

The *Bhagavad Gita* emphasizes on the basic moral understandings required to achieve salvation through transcendental knowledge, the obedience to law of karma, self-realization, and the performance of actions within the framework of Vedic sciences. The *Bhagavad-Gita* is accepted as a universal body of knowledge and remains as a lifelong scientific and spiritual model for mankind. It triggers the search for self-realization and appropriate action in the material world. Sri Krishna says in the *Bhagavad Gita* (3–13), that "all sorrows from the society would be removed if socially conscious members of a community feel satisfaction in enjoying the remnants of their work performed in yagna spirit (selfless welfare of others)." In short, the Indian philosophy on business management is to inculcate corporate social responsibilities.

India's contribution to world trade and business is significant. It gave the world the numerical system of calculation; the joint family system and division of labour in business evolved here and are practiced even today. The modern principle of 'customer-focused business' has been an integral part of Indian business for long.

Initially, Indian industry, trade and commerce was primarily need based, with least focus on profit. Over time, it went through several transformations due to changes in customs and practice, and patronage by different rulers. Our industrial and business heritage can be divided in three distinct phases—ancient, medieval and modern.

ANCIENT PERIOD (UP TO 750 AD)

The archaeological discoveries at Harappa and Mohenjodaro prove that the people of India had a very advanced civilization, even way back in around 5000 BC. These excavations of the erstwhile Indus Valley civilization show that sophisticated urbanism spread over an area of roughly 400,000 sq km, distributed in 70 uniform cities with planned settlements.

Kautilya's *Arthashastra*,[2] the world's first comprehensive book on economics and politics, gives detailed instructions about establishment of a city. India had also developed a scientific and elaborate system of governance and managing the economy, the book shows. The king had stringent control over the economy and separate officials were assigned the duty of dealing with mining and metallurgy, metals, mint, salt, precious metals and jewellery and textiles.

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Srenis

Romilla Thapar explains that the distribution of work was not only organized in terms of the professions living in the town but also in terms of the physical occupation by different professions of different parts of the town. Each sreni had its own professional code, working arrangements, duties and obligations and even religious observances. Matters relating to wider areas of dispute were sometimes settled by srenis among themselves. Social mobility among such groups, where an entire group would seek to change its ritual status on the basis of an improvement of actual status, would be more frequent, since the economic opportunities for improving actual status would be more easily available, particularly in periods of expanding trade. It is not coincidental that the greatest activity of heterodox sects and of religious movements associated with social protest was in periods of expanding trade.

Source: Thapar, Romilla (1996), *Ancient Indian Social History: Some Interpretations,* Hyderabad: Orient Longman, p. 133

Exchange System

In ancient times, trade was mostly practiced under the barter system i.e., goods were exchanged for goods. But difficulty in handling and fixing the exchange value of goods led to the use of common items like shells, conches, food items, etc. as medium of exchange. During the medieval period, metallic coins made of bronze, copper, silver and gold came into use as currency and in 1835, the East India Company introduced the rupee as a medium of exchange.

Industry, Trade and Commerce

Harappan relics dating back to 4500 years ago indicate the importance of industrial products and the nature of trade in the area. The Indus seals authenticate the role of commercial consignments during the period.

There were a large number of settlements around Saraswati River, which sustained a maritime civilization and a metal-based economy around 3000 BC. The western coast of the country was a scene of great maritime and commercial activity as India continued flourishing trade with Babylonia, Egypt, Greece and Rome in sixth century BC. In the seventh century AD, India developed trade contacts with the Arabs. Archaeological discoveries and accounts of three Chinese travellers also establish a strong trade link between India and Central Asia. At that time, shipbuilding was a big industry in India with locals engaged in plying boats and ships, carrying cargos and passengers, manufacturing vessels of all types and dimensions, studying the stars and wind, erecting light houses, and building ports, wharfs, dockyards and warehouses. Indian ships were of considerable size and when Chinese scholar Fa Hsien[3] returned from India around 400 AD, he travelled on a ship carrying more than 200 sailors and merchants and sailed across the Indian Ocean from Ceylon to Java and from there to China across the Indian Ocean.

Mining and metallurgy were the chief activities of ancient Indian industry and people had made considerable progress in the metallurgy of iron, copper, zinc and alloys. The people of Harrappa could produce bronze by mixing copper with zinc. The design and processing of the smelter proved that the people had good engineering skills and a sound knowledge of chemistry. Gold and silver ornaments during the Vedic age exhibited superior artistic, scientific and engineering expertise of artisans, goldsmiths and colourists who used natural chemicals. Extraction of silver is a far more difficult operation than copper smelting, which the ancient Indians practiced.

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Indian weavers produced the finest-quality cotton and cloth and exported to other countries. Hand spun and handmade muslin was known as the pride of India. Dyed cotton fabrics, made with natural and enduring colours, were also popular and the high quality yarn that India produced was traded with many countries.

Guild System

The guild system was prevalent even in the early days and protected the interests of traders, artisans and producers. Thapliyal[4] states that scholars are divided on the issue of whether the guild system was in existence in the early Vedic period. Some believe that the Vedic society was advanced enough to support such economic organizations and consider terms like *sreni*, *puga*, *gana*, *vrata* in Vedic literature indicative of guild organization, and *sreshthi* as president of a guild. Thapliyal says that division of labour under the *varna* system may have been conducive to the emergence of guild organization. Agriculture, animal husbandry and trade, the three occupations of the *Vaisyas*, in course of time, developed as separate groups. Several pieces in the *Upanishads* (c. sixth century BC) indicate the existence of guilds during that era. In the Mauryan period, Kautilya believed that guilds had the capacity to become centres of power.

Trade Guilds of Ahmedabad

The strength of the institution in this one town is evident from its survival into the nineteenth century. W.W. Hunter's Imperial Gazetteer observes (1885: 87-8) that

"… the system of caste or trade unions is more fully developed in Ahmadabad than in any other part of Gujerat. Each of the different castes of traders, manufacturers and artisans, forms its own trade guild. All heads of households belong to the guild."

Every member has a right to vote, and decisions are passed by a majority of votes. In cases where one industry has many distinct branches, there are several guilds.

For examples, among potters, the gazetteer reports the existence of separate guilds among makers of bricks and tiles, and makers of earthen jars. In 'the great weaving trade', silk weavers and cotton weavers belonged in different guilds. The objects of the trade guild were, 'to regulate competition among the members, and to uphold the interest of the body in any dispute arising with the other craftsmen'

Guilds were associations of businessmen with common aims and objectives and had their own rules and regulations to carry on the business honestly and smoothly. A guild court controlled the activities of the members; guilds had their own seals and banners and their laws were protected by the state. Thapliyal explains that guilds had three components: (a) the General Assembly, (b) the Guild Chairman or the Head, and (c) the Executive Officers, each with a well-defined sphere of jurisdiction.

(a) *General Assembly:* All the members of the guild constituted the general assembly. *Jataka* stories claim that guilds had up to 100, 500 and even1000 members. There is a reference to 1000 carpenters of Varanasi under two heads. The Nasik inscription of the time of Nahapana refers to two weavers' guilds at Govardhana (Nasik).

(b) *The Guild Head:* The head of a guild was called the *jetthaka* or *pamukkha* in early Buddhist literature. He is often referred to after the occupation followed by the guild of which he was the head, e.g. 'head of garland makers' (*malakara jetthaka*), 'head of carpenters' guild' (*vaddhaki jetthaka*), etc. *Setthis* were merchant-cum-bankers and often headed merchant guilds. The guild head could punish a guilty member even to the extent of excommunication.

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Guilds in Ancient India

Romila Thapar (2000:73) states that "The ancient sources frequently refer to the system of guilds which began in the early Buddhist period and continued through the Mauryan period. ….Topography aided their development, in as much as particular areas of a city were generally inhabited by all tradesmen of a certain craft. Tradesmen's villages were also known, where one particular craft was centred, largely due to the easy availability of raw material. The three chief requisites necessary for the rise of a guild system were in existence. Firstly, the localization of occupation was possible, secondly the hereditary character of professions was recognized, and lastly the idea of a guild leader or *jetthaka* was a widely accepted one. The extension of trade in the Mauryan period must have helped considerably in developing and stabilizing the guilds, which at first, were an intermediate step between a tribe and a caste. In later years they were dominated by strict rules, which resulted in some of them gradually becoming castes. Another early incentive to forming guilds must have been competition. Economically it was better to work in a body than to work individually, as a corporation would provide added social status, and when necessary, assistance could be sought from other members. By gradual stages, guilds developed into the most important industrial bodies in their areas. Having arrived at a point when the guilds controlled almost the entire manufactured output, they found that they had to meet greater demands than they could cater for by their own labour and that of their families; consequently they had to employ hired labour. This consisted of two categories, the *karmakaras* and the *bhatakas* who were regarded as free labourers working for a regular wage, and the *dasas* who were slaves. Asoka refers to both categories in his edicts when he speaks of the *bhatakas* and the *dasas*. Thus by the Mauryan period, the guilds had developed into fairly large-scale organizations, recognized at least in the northern half of the sub-continent if not throughout the country. It would seem that they were registered by local officials and had a recognized status, as there was a prohibition against any guilds other than the local co-operative ones entering the villages. This suggests that a guild could not move from one area to another without official permission."

Source: Thapar, Romilla (2000), *Ashoka and the Decline of the Mauryas,* Delhi: Oxford University Press, p. 73.

(c) *Executive Officers:* To assist the guild head and to look after the day-to-day business of the guild, executive officers were appointed and their number varied according to need and circumstances. They were first mentioned in the *Yajnavalkyasmriti*, which says that these officers should be pure, free from avarice and knowledgable of the Vedas.

Functions of the Guild

The guilds undertook many useful roles, some of which are discussed below.

(a) *Administrative:* The guilds had a good deal of administrative control over their members. Their prime concern was to ook after the interests of their members making things convenient for them. The trained workers of the guilds provided a congenial atmosphere for work.

(b) *Economic:* Guilds procured raw materials for manufacturing, controlled quality of manufactured goods and their price, and located markets for their sale. Although the *Arthasastra* does not contain any reference to guilds loaning money to the general public, there are references suggesting that the king's spies borrowed from guilds on the pretext of procuring various types of merchandize. This shows that guilds loaned money to artisans and merchants as well.

(c) *Charitable:* A Mathura Inscription (second century AD) refers to the two permanent endowments of 550 silver coins each, with two guilds to feed Brahmins and the poor from interest earned on the money. Of the two Nasik Inscriptions (second century AD), one records the endowment of 2000 *karshapanas* at the rate of one per cent (per month) to a weavers' guild for providing cloth to *bhikshus*

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and 1000 *karshapanas* at the rate of 0.75 per cent (per month) to another weavers' guild for serving light meals to them. Guilds were expected to use part of their profits for preservation and maintenance of assembly halls, watersheds, shrines, tanks and gardens, and to help widows, the poor and destitute. This is equivalent to modern corporate social responsibility.

(d) *Banking functions:* Epigraphic evidence shows that as guilds established their efficiency and integrity, even the royalty deposited money with them.

(e) *Judicial:* Thapliyal reports that the powerful guilds performed judicial functions as well.

MEDIEVAL PERIOD (750 TO 1757AD)

After about 750 AD, India, both in the north and south, was divided into many independent kingdoms. This led to a considerable growth in the size and number of towns and a marked expansion of craft production. Trade and commerce continued both, within and outside the country as various sea routes were discovered. Metallic currency was introduced for the first time and artisans reached a high state of excellence.

Trade Routes

For long, India has been well-connected through roadways, however, they touched their height of glory in the medieval period. During the rule of Shershah Suri, the great Grand Trunk Road was constructed; it stretched from the Indus river in the west to Sonargaon (Bangladesh) and was like a modern day highway with rest houses at regular distances.

The trade route from Agra was linked with the Central Asian routes at Qandhar via Delhi, Lahore and Kabul. Goods were transported between Gujarat and north India through two main routes: Surat to Agra via Western Rajasthan, and the second was from Agra to Surat via Malwa and Khandesh. The network of these trade routes indicates how the deep interiors were also involved in inter-regional exchange of commodities. Indian ports served as clearing houses for the trade between south-east India, East Asia and Western Asian countries. The main Indian ports which handled the bulk of India's foreign trade were Debal in Sindh, Broach and Cambay in Gujarat, Thane in Maharashtra, Mangalore in Vijayanagar empire, Chou and Dabhol in the Bahmani kingdom, Calicut, Quilon and Cape Comorin in Malabar.

Jajmani System: Division of Labour

According to Dumont, *jajmani* system makes use of hereditary personal relationships to **express the division of labour**. This system is a ritual expression rather than just an economic arrangement. S.C Dube refers to the system as corresponding to the presentation and counter presentation by which castes as a whole are bound together in a village which is more or less universal in nature. Leach believes that the system maintains and regulates the division of labour and economic interdependence of castes.

Jajmani system is a general term to describe the economic interaction between the castes at the village level. In different parts of India, different terms are used to describe this economic interaction among the castes, for example in Maharashtra, the term 'Balutadar' is used. This system is also a ritual system concerned with the aspects of purity and pollution as with economic aspects. It functions so that the highest caste remains pure while the lowest castes absorb pollution from them. Villages are composed of a number of *jatis*, each having its occupational specialty.

Through *jajmani* relations, these occupational *jatis* get linked with the land-owning dominant caste. The interaction between occupational castes and the land-owning castes take place within the framework of non-reciprocal and asymmetrical type of relations. The land-owning castes maintain a paternalistic attitude of superiority towards their occupational castes, which are called *kamins*.

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Business

Business was at its peak as countless traders came to India from all over the world, including Britain. Indian traders excelled in both, domestic and foreign trade. During the Mughul rule, Indians used an indigenous financial instrument called *hundi*, which is similar to the modern-day Negotiable Instruments and was later recognized as a valid tool of finance by the Negotiable Instruments Act, 1881. A number of important industries developed during the medieval period, the most prominent being textiles, metal work, stone work, sugar, indigo and paper. Indian textiles and metallurgy enjoyed worldwide reputation and the State encouraged trade by giving grants to merchants and industry.

Establishment of Karkhanas

The State established royal *karkhanas*[5] (workshops) to cater to the Sultan and his family. Muhammad Tughlaq's *karkhanas* (factories) in Delhi had as many as 4000 silk workers who wove and embroidered different kinds of cloth for robes of honour. Practically every article of royal use such as caps, curtains, tapestry, waistbands, sashes, shoes, etc. were supplied by these *karkhanas*. Thus, the *karkhana* industry provided employment to a large number of workers in the State.

The world of urban crafts was shaped by the demand for crafts from a few hundred families who controlled the entire agrarian surplus of a large region. Powerful and extremely rich, these buyers of crafts directly employed artisans. There was no 'market' and skilled artisans—sometimes whole industries—were 'dependent' on public authority. They were not employers; the courts did not depend on them; they did not pay tax-revenue to the courts as their European counterparts did. They were employees or quasi-employees of the court.

Registration of Traders

Alauddin Khilji was the first Sultan who undertook market control in a serious and organized manner. The traders were asked to register themselves with the emperor's court with details of the nature and volume of business. Very stringent laws were passed to check unfair trade practices and market inspectors were appointed to ensure smooth business practices. Warehouses were constructed only by the royal court and food grains were supplied through a public distribution system during times of short supply.

Artisans in Mughal India

European travellers like François Bernier and Pelsaert, and court functionary, Abul Fazl have written extensively about the medieval urban crafts. Abul Fazl's accounts mention the existence of 'guilds of artificers', and guild masters, in whose appointment the town administrator had a say. These guilds worked as adjuncts to another powerful institution, the *karkhana*, which included factories along with stores and some administrative departments. The main north Indian seats of power developed a hierarchy of *karkhanas* owned by courtiers and individuals close to the court, though much more is known about the imperial *karkhanas*.[6] Two features of this institution are noteworthy:

(a) The *karkhanas* made urban north India familiar with the culture of collective work, in which later gave rise to a system of unwritten rules of a master-apprenticeship relationship.

(b) While the *karkhanas* did not necessarily rule out private production for the bazaar, they did represent a subversion of the market though the extent of subversion varied.

The courts controlled the purchase of inputs both, implicitly and explicitly. The output was rarely marketed but kept for royal use, given away as gifts or provincial revenue payments or exported by the court. The

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karkhanas recruited the best workers in the industries; in fact they had the authority to ensure that the best workers did not refuse invitation. The distinction between the rank and file and the elite among the artisans was mediated by proximity to power.

The presence of a hierarchy is seen in the accounts of European travellers. The most famous description is by Bernier, who distinguished between two types of urban artisans. At one extreme was the bazaar artisan who was nominally independent, that is, not an employee of the rich and powerful, and yet a perpetually poor man, lowly-skilled, and subject to all kinds of arbitrary bullying and exploitation by merchants or agents of the rich. At the other end was the elite among the artisans, the super-skilled artist, who was necessarily an employee of the *karkhana*. Thus, "[T]he artists...who arrive at...eminence in their art are those *only* who are in the service of the King or of some powerful Omrah, and who work exclusively for their patron.'[7] As for the rank and file, "virtually every relevant feature of the economy, society and the state was designed to hold the artisan firmly down to his lowly place.'[8]

MODERN PERIOD

Modern period of India could be divided in to two: British India and post-independent India. India was under British rule for a period of almost 200 years; the British came here to trade, which was gradually replaced with political and economic ambitions. They viewed India, with its vast land and large population, as a supplier of raw materials, and a market for British industrial production. This ushered in the application of modern technologies in India to facilitate the colonial rule.[9]

As Davis concludes: "If the history of British rule in India were to be condensed to a single fact, it is this: there was no increase in India's per-capita income from 1757 to 1947."[10] In fact, incomes may have declined by 50 per cent in the last half of the nineteenth century (see Table 6.1).

Ramesh Chandra Dutt argued (in *The Economic History of India*, London, 1987):

> "India in the eighteenth century was a great manufacturing, as well as a great agricultural country, and the products of the Indian loom supplied the markets of Asia and Europe. It is, unfortunately, true that the East India Company and the British Parliament, following the selfish commercial policy of a 100 years ago, discouraged Indian manufacturers in the early years of British rule in order to encourage the rising manufactures of England. Their fixed policy, pursued during the last decades of the eighteenth century and the first decades of the nineteenth, was to make India subservient to the industries of Great Britain and to make the Indian people grow raw produce only, in order to supply material for the looms and manufactories of Great Britain."

Karl Marx, in *Consequences of British Rule in India*, wrote, "… form of destruction was the destruction of the self-sufficient village society of India. Under this simple form of municipal government, the inhabitants of the country have lived from time immemorial. These small stereotype forms of social organism have been

TABLE 6.1 Shares of World GDP (percent)

	1700	*1820*	*1890*	*1952*
China	23.1	32.4	13.2	5.2
India	22.6	15.7	11	3.8
Europe	23.3	26.6	40.3	29.7

Source: Davis. M. (2001), *Late Victorian Holocausts: El Nino famines and the making of the Third World,* London, Verso Books.

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to the greater part dissolved, and are disappearing, not so much through the brutal interference of the British tax-gatherer and the British soldier, as to the working of English steam and English free trade."

> "Those family-communities were based on domestic industry, in that peculiar combination of hand-weaving, hands-spinning and hand-tilling agriculture, which gave them self-supporting power. English interference having placed the spinner in Lancashire and the weaver in Bengal, or sweeping away both *Hindoo* spinner and weaver, dissolved these small communities, by blowing up their economical basis."

Apart from the negatives, the British also did some good work in India; they established the judicial and revenue system, adult franchise, educational system, introduced the bureaucracy, unified the country, etc.

Artisan Panchayats

Choudhary wrote about the goldsmiths of Benaras:

> "A distinct set of goldsmiths called *sodhas* handle gold and silver bars for converting these to wire. They are prohibited from dealing directly with the gold and silver merchants until the bar passes through the panchayats of the *sodhas* who guarantee the weight in payment of a fee from both, the merchants and the goldsmiths."[11]

Panchayats were almost always present in craft towns of the western Gangetic plains during the British Rule, especially when artisans-cum-merchants handled expensive raw material.

A nineteenth-century example is the smelting of precious metals. To maintain purity, smelting was done in Lahore, Delhi and Lucknow, in common premises monitored by bodies like town councils. The maintenance of the furnace was done for a fee imposed on all members of the silver or *jari* merchant community. In the 1880s, it was found that the fee had no legal force. 'Renegades' took advantage of this and eventually the payment ceased, weakening the very institution itself.[12] The brotherhood concept spilled over to the merchants too. "There is a compact sense of brotherhood among the different members of the panchayats."[13] If any one disappeared with the money, the *panchayat* made sure that the person did not get a job with another member.

"The economic growth of Madurai is owed to the Saurashtra merchants and silk weavers."[14] Madurai silk derived its historic reputation mainly from a red dye. In the late nineteenth century, when the dye material changed from a local plant to the mineral-based dye, which was then imported, the adaptation of the dye to

Master Artisans

During 1900s, royal karkhanas affiliated to regional courts still existed, but this was a minor context for the use of the term. The more commonplace context was the urban artisan organization. The terms that described urban artisan organization in the nineteenth and early twentieth centuries—*karkhana*, karkhanadar, ustad and shagird—were inherited from the pre-colonial period. The term *karkhanadar* deserves particular attention because it symbolized regulation and hierarchy of an informal kind.

By 1900, the word *karkhana* had bifurcated into two distinct sets of meaning. Outside northern India, in the handloom weaving towns of Bombay-Deccan, karkhana referred to any small factory and the karkhanadar was the generic owner of the factory. Irwin states, the term *karkhanadar* referred to 'owners' of *karkhanas*, who in turn, hired masters.

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the particular style of weaving posed a problem. The problem was solved largely through collaboration between a German dye-maker and a few Saurashtra technicians-cum-entrepreneurs. Once the new technology was found usable, it spread quickly among the community. To prepare dye, specialized factories known as 'Red Factories' were established. Fifteen years after the first experiment, Chatterton wrote that "the suburbs of Madurai are now almost entirely covered with drying yards." In 1921, half the Madras Presidency's[15] import of synthetic dyes went to just one tow.[16]

Karkhanadars

Benares (silk), Lucknow (embroidery), and Moaradabad (brass) are examples of established urban crafts that survived into modern times. The *karkhanadar* played multiple roles; Firstly, to avoid fraud. In Lucknow, "orders in bulk are not generally entrusted to the ordinary workman until he can show some standing as a *karkhanadar*."[17] Another function was coordination. The *karkhanadar*, in many instances, coordinated between processes but also kept accounts, guaranteed quality, supervised artisans, and trained artisans.[18] Thirdly, supervision and training were widely believed to be the most important roles, and in some situations dominated the other roles of coordination and trust. In Benares brassware, "the *karkhanadar*'s position is that of a foreman in a factory… the *karkahandar* has little connexion with the business side of the industry. He is only responsible for the work by the workmen. Usually, he permits a few apprentices to be taken in by the workers."[19] In Benares, brassware and cotton carpet manufacture "apprenticeship is restricted within the caste."[20] In Moradabad brassware, there was a rule that if any *karkhanadar* trained one from outside the community, he was 'outcasted'.[21]

Merchant Communities

The relevance of 'community' to the study of modern Indian mercantile and industrial enterprise has been stressed by many scholars—Rudner, 1995;[22] Ito, 1966;[23] Lamb, 1955;[24] Brimmer, 1955;[25] Markovits, 2000;[26] Roy, 1998;[27] Timberg, 1994.[28] Helen Lamb astutely observed that 'community' was probably just a transitional phenomenon. It did not really stand for a sociological unit with standard characteristics, but an 'organization' that utilized social ties and was deployed to serve business interests. Nearly all illustrations of business community suggest that marriage and kinship cemented these groups. Caste in this context defined

Bankers of India

Jagat Seths (the title Jagat Seth means Banker to the World) were rich businessman from Murshidabad during the rule of Nawab Siraj-ud-Daula. Jagat Seths were among the most powerful bankers of India during the first half of the 18th century. Roben Orme (official historian of East India Company) described Jagat Seths as the *greatest shroff* (money changer) *and banker in the known world.*

In some ways, bankers furnish the best example of cooperative communities.

Two groups of merchants and bankers from the Shikarpur and Hyderabad towns in Sind, a province in Pakistan, spread out worldwide between the eighteenth and the nineteenth century. The Shikarpur group financed overland trade between South Asia and Central Asia, remitted money, and supplied credit locally. Their members set up posts in towns spread over a very large area, carrying on sometimes at risk to life and property.

When Burma opened Chettiar firms met an increasing part of credit demand of peasants, superseding Burmese firms engaged in credit and commerce. This ascendancy has been explained in terms of the Chettiars' superior business organization that had long been at work, in particular, to long apprenticeship, training in business.

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the boundaries within which marriage could occur. Community, thus, was a collection of families connected both socially and through business ties. And yet, these groups were neither just a collection of families nor just a club, and by no means did community imply equality within the group. Rather, business communities were hierarchical organizations, which followed certain recognizable rules and patterns of seniority. The 'business family' differed from 'family' as such, by incorporating these rules. In the so-called family trees of business families, for example, one would observe the play of rules of succession and male reference.

Brimmer writes:

> "… there existed between the family-firm and the trading community, of which it was a member, an informal relationship symbolized by a very strong sense of responsibility for the well-being of one's community fellows and an overt preferences for dealing with them."[29]

Burnes[30] is more explicit in his caricature of a widely dispersed, but well integrated, Shikarpuri commercial network by noting that while in Kabul he:

> "... made the acquaintance of many of the *Hindoo* or *Shikarpooree* merchants. The whole trade of Central Asia is in the hands of these people, who have houses of agency from Astracan to Meshid to Calcutta. They are a plodding race, who take no share in any other matters than their own, and secure protection from the Government by lending it money. They never bring their families from their country, which is Upper Sinde, and are constantly passing to and from it; which keeps up a national spirit among them. In Cabool, there are eight great houses of agency belonging to these people, who are quite separate from the other *Hindoo* inhabitants. Of them, there are about 300 families. I met one of these *Shikarpooree* merchants on the island of Kisham in the Gulf of Persia. With such an extensive agency distributed in the parts of Asia, which we were now about to traverse, it was not, as may be supposed, a very difficult task to adjust our money matters, and arrange for receiving a supply of that necessary article, even at the distance we should shortly find ourselves from India... I had a letter of credit in my possession for the sum of five thousand rupees, payable from the public treasuries of Lodiana or Delhi; and the Cabool merchants did not hesitate to accept it."

INDUSTRIAL REVOLUTION AND INDUSTRIALIZATION DURING EIGHTEENTH AND NINETEENTH CENTURIES

India missed the Industrial Revolution that swept Europe and United States in the eighteenth and nineteenth centuries and became the major market for consumption of all manufactured goods produced by industrial Britain. India was also the major supplier of raw materials but Indian products could not stand in competition with British items, which were cheap and of superior quality. Many industries were started in India during this period because of cheap and easy availability of labour. These turned into places of exploitation of workers. Some Acts like The Factories Act, The Trade Unions Act, and The Mines Act, etc. were passed to regulate the working conditions and other related matters during this period.

Coal Mines and Mining[31]

Mr S.G. Heatly, the British magistrate of Chhota Nagpur, together with Mr. John Summer obtained the privilege of mining coal in Pachete and Birbhaum from Warren Hasting, in 1774. They were given the exclusive rights to sell coal in Bengal. However, the first real commercial-scale mining of coal commenced when Mr Jones came to India in 1814. By 1831, 15000 tons of coal was mined annually. The production of coal steadily increased on demand by railways, steam ships and other industries.

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Paper

Bally Mills was established in Hooghly in 1870 to produce paper and was later followed by a few other mills.

Iron and Steel

Iron and steel, especially with zinc, had been produced since ancient times. However, the first steel mill with modern production methods was established by Mr Duncan in 1808. This mill, however, soon closed down. In 1855, another firm, Mackay and Co., started the Birbhum Steel Works, which was also not very successful. Despite this, the government continued to make several attempts to establish the iron and steel industry.

Plantation Industries

One of the biggest contributions of the British was the plantation industry. Indigo, tea, and rubber were developed and indigo remained an important article of export until a synthetic product was developed by Germany. Tea plantations were established in Assam in 1834 and Indian tea was marketed in London for the first time in 1838. Coffee also developed under Europeans as the East India Company gave inducements for growing coffee by granting land on long lease. In 1830, approximately 4000 acres was under coffee.

Cotton Industry

The industry that suffered the most under the British was the cotton handloom industry. Indian handloom was replaced by cheap cloth brought from Britain. Over a period of time, however, cotton mills were established in India, primarily to produce yarn. The first cotton mill was started in Bombay in 1854 and by the end of nineteenth century, the number of mills rose to 193. The mills were built on the Manchester and Lancashire design; large capital was invested in cotton but the most striking fact of this industry was that the foreign capital was only a small part of it.

Railways

Railway revolutionized the Indian transport system and opened new frontiers for business at distant locations as movement of people and goods fostered the growth of every business.

Posts and Telegrah

During the same period, telegraph was introduced in India, which played a major role in breaking the barriers of time and distance. Calcutta, Bombay, Madras and Peshawar were all connected to each other through telegraph. Posts and telegraph were later modernized by passing of a law, the Posts and Telegraph Act in 1854.

INDUSTRIALIZATION DURING BEGINNING OF TWENTIETH CENTURY (TILL 1947)

During the second half of the nineteenth century, a few modern industries were introduced in India, which were fully owned and controlled by British companies. Although some industries were owned by Indians, they could not develop fast due to lack of support from the British government. Cotton, jute, coal mining, plantation industries were the main industries at that time. The *Swadeshi* movement, which began in 1905, gave a boost to Indian industries. With the efforts of enterprising Indian businessmen, modern industries like

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Bombay Plan

Authored by the pioneers of Indian industry such as Jehangir Ratanji Dadabhoy Tata, Ghanshyam Das Birla, Ardeshir Dalal, Sri Ram, Kasturbhai Lalbhai, Ardeshir Darabshaw Shroff and John Mathai, the *Plan for the Long-Term Economic Development of India*, was published in Bombay in 1944 and is the first such document anywhere in the world to be written by a group of businessmen.

The Plan went through two editions; the first, published in January 1944, later became 'Part I' of the second edition, which was published in two volumes in 1945, under the editorship of Purushottamdas Thakurdas.

The Plan was proposed to initiate the process and make both, the government and the public, aware of the long-run issues of development and distribution. It contained plan targets, physical and financial plan and the time sequence of investment outlays. The second volume was written later and addressed issues of income distribution and planning machinery. The aim of the Bombay Plan was to attain in 15 years time, "a general standard of living which would leave a reasonable margin over the minimum requirements of human life." (*Bombay Plan*, p. 7). This minimum requirement included food, clothing, shelter, healthcare and basic education. A set of sectoral growth rates was established from this targeted increase of national income. Together, the rates would ensure the desired growth of national income and were taken to be feasible, given the technology of the time.

Although Jawaharlal Nehru, the first Prime Minister of India, did not officially accept the plan, the Nehruvian era witnessed (what was effectively) the implementation of the Bombay Plan; a substantially interventionist state and an economy with a sizeable public sector.

"As a student of economics in 1950s and later as a practitioner in Government, I was greatly impressed by the 'Bombay Plan' of 1944. In many ways, it encapsulated what all subsequent plans have tried to achieve," Dr Manmohan Singh, Prime Minister of India (September 7, 2004)

iron and steel, cement, chemicals, automobiles, shipbuilding, sugar and textiles mills were started in India during the first quarter of the twentieth century. J.R.D. Tata established the first Iron and Steel industry in 1911 at Jamshedpur.

Due to the growth of towns and cities and a rise in urban population, the demand for products also increased. This contributed to the growth of trade and various auxiliaries to trade like banking, insurance, warehousing, communication, etc. Different forms of business organizations like sole proprietorship, partnership and co-operative societies took shape in India.

In 1944, industrialists and technocrats authored a plan meant as a 15-year investment plan for India. This is popularly referred to as a 'Bombay Plan' (see the box above).

INDUSTRIALIZATION AFTER THE INDEPENDENCE

When India achieved Independence in 1947, the national consensus was in favour of rapid industrialization of the economy, which was seen not only as the key to economic development but also to economic sovereignty. In the early years, there were two competing philosophies. One approach was given by Mahatma Gandhi and the other by Pandit Jawaharlal Nehru. Gandhi believed that India should grow by using indigenous resources, which are people, materials and resources. This would avoid mass migration to urban centres and all associated problems of unemployment, homelessness and crime. Gandhi's ideal industrial policy was that the creation of small scale industries, guided by the principle of self reliance, should be used to achieve self-sufficiency in food, clothing and shelter, the basics of life. Nehru agreed with Gandhi on rural development and the need to increase food production. Agriculture, thus, was the basis on which India would come

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Industrial Policy Resolution, 1948

Pandit Jawaharlal Nehru laid the foundation of modern India with a set of goals and objectives for the nation, on the eve of Independence. These were rapid agricultural and industrial development, expansion of opportunities for gainful employment, progressive reduction of social and economic disparities, removal of poverty and attainment of self-reliance.

1. The role of state enterprise vis-a-vis private enterprise: The basic principle embodied in the policy was that the State must play a progressively active role in the development of industries. Role of the private sector was duly recognized, however, it was to be regulated and directed.

2. Allocation of industries to private and public sectors: The Policy Resolution divided the industries into four categories for the purposes of their allocation as between private enterprise or a State enterprise:

(a) *Strategic and basic industries:* These were made the "exclusive monopoly of the State". It included arms and ammunition, production and control of atomic energy, ownership and management of railways, etc.

(b) *Basic and key industries:* These included coal, iron and steel aircraft manufacture, ship-building, manufacture of telephone, telegraph and wireless apparatus, etc. The existing units in these industries were to be allowed to continue in the private sector for a period of 10 years at the end of which the position was to be reviewed. Establishment of new units was the exclusive responsibility of the State.

(c) *Private sector industries subject to control and regulation by the Government:* This category had 20 important industries (including heavy chemicals, sugar, cotton and woolen textiles, cement, paper, salt, machine tools, etc.) of the country, which were to continue in the private sector, though they were to function subject to control and regulation by the Government.

(d) *Private and co-operative sector industries:* The rest of the industries not covered by any of the categories mentioned above, were to be private enterprise-individual as well as co-operative-though they were to be under the general control of State.

3. The rule of small-scale and cottage industries: The Policy Resolution afforded due recognition to the importance of small-scale and cottage industries in the economy of the country. It was visualized that they would be organized on co-operative lines and would be integrated and coordinated with large industries.

4. Steps toward better industrial relations: In keeping with the recommendations of the Industries Conference of 1948, the Industrial Policy Resolution of 1948 accepted profit-sharing and other schemes meant to associate labour with the management of industry as steps in the direction of more cordial industrial relations in the country.

out of its economic backwardness. But Nehru thought it will take too long for India to achieve self-sufficiency only from small-scale industries.[32] He wanted rapid economic progress and created a large base of education, Science and Technology (Planning Commision, 1952).[3]

Five Year Plans	
First Five Year Plan	1951–1956
Second Five Year Plans	1956–1961
Third Five Year plan	1961–1966
Annual Plans	1966–1969
Fourth Five Year Plan	1969–1974
Fifth Five Year Plan	1974–1979
Sixth Five Year Plan (Janta Government Plan)	1980–1985
Seventh Five Year Plan	1985–1989
Eighth Five Year Plan	1991–1996
Ninth Five Year Plan	1997–2002
Tenth Five Year Plan	2002–2007
Eleventh Five Year Plan	2007–2012

The Government of India took over the responsibility of promotion of trade, industry and commerce, and borrowed the concepts of economic planning, which, in the Soviet Union is called directives and in France as indicative planning, to develop the two-sector model of economic planning. One sector, was agriculture and the other, industry.[34] The Government of India thus formulated Five Year Plans for overall economic growth of the country. (We are now in the 11th Five Year Plan, which started from the financial year 2007–08). India's Industrial Policy evolved through successive Industrial Policy Resolutions and Industrial Policy Statements. Specific priorities for industrial development were also laid down in the successive Five Year Plans.

Building on the 'Bombay Plan'[35] in the pre-Independence era, the first Industrial Policy Resolution announced in 1948, laid down broad contours

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of the strategy of industrial development. At that time, the Constitution of India had not taken final shape and neither was the Planning Commission constituted. Moreover, the necessary legal framework was also not put in place. Therefore, the Resolution was somewhat broad in its scope and direction. Yet an important distinction was made among industries to be kept under the exclusive ownership of the Government or the public sector, and those reserved for private and the joint sectors

Subsequently, the Constitution of India was adopted in January 1950; the Planning Commission was constituted in March 1950, and the Industrial (Department and Regulation) Act (IDR Act) was enacted in 1951 to empower the Government to take necessary steps to regulate the pattern of industrial development through licensing. This paved the way for the Industrial Policy Resolution of 1956, which was the first comprehensive statement on the strategy for industrial development in India.

Post-Independence industrialization can be divided into four distinct eras:

(a) Nehru Era
(b) Indira Gandhi (Mid-1960s to Mid-1970s)
(c) Janta Rule
(d) Post-1990s

Planning Commission

The Planning Commission was set up in March 1950 by a resolution of the Government of India, which defined the scope of its work in the following terms:

"The Constitution of India has guaranteed certain Fundamental Rights to the citizens of India and enunciated certain Directive Principles of State Policy, in particular, that the State shall strive to promote the welfare of the people by securing and protecting, as effectively as it may, a social order in which justice, social, economic and political, shall inform all the institutions of the national life, and shall direct its policy towards securing, among other things,

- that the citizens, men and women equally have the right to an adequate means of livelihood;
- that the ownership and control of the material resources of the community are so distributed as best to serve the common good; and
- that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

Having regard to these rights and in furtherance of these principles as well as of the declared objective of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production, and offering opportunities to all for employment in the service of the community, the Planning Commission will—

- make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements;
- formulate a Plan for the most effective and balanced utilization of the country's resources;
- on determination of priorities, define the stages in which the Plan should be carried out and propose the allocation of resources for the due completion of each stage;
- indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan;
- determine the nature of the machinery, which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects;
- appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary; and
- make such interim or ancillary recommendations as appear to it to be appropriate either for facilitating the discharge of the duties assigned to it or, on a consideration of the prevailing economic conditions, current policies, measures and development programmes; or on an examination of such specific problems as may be referred to it for advice by Central or State Governments."

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Nehru's Industrial Policy

The term 'industrial policy' refers to all objectives, principles, rules, regulations and procedures concerning the industrial development, location and functioning of industrial establishments, ownership pattern of industries, and rate of growth of industries in the country. It also describes the government policy towards foreign capital, labour, tariff and other related aspects.

As is well-established, the guiding political philosophy of Nehru was 'Fabian Socialism', which envisaged a very significant role for the State in economic policy. There were different views and healthy debates about how active the State ought to be in the process of economic development. The debate notwithstanding, the economic policy, articulated immediately after Independence, hardly represented a radically new policy direction—it was more of an evolutionary step in a policy of Central Government participation in economic activity.

Nehru believed a powerful state with a centralized planned economy was essential if the country was to industrialize rapidly. The Industries (Development and Regulation) Act (IDRA) in 1951 laid the foundations for this administrative control on industrial capacity. But, over time, the licensing requirements became increasingly stringent and were accompanied by a gamut of procedures that required clearance by a number of disparate and uncoordinated ministries. The First Five Year Plan was essentially a programme of public expenditures that reflected the priorities of the time. Special attention was paid to agriculture. The Plan contemplated a closer integration of the private and public sector and the guidance of the former by the latter, and, therefore, set out details of machinery that is required for this in the fields of agriculture, industry and trade. The economy was visualized as a 'mixed economy'.[36] It gave importance to agriculture, irrigation and power projects to decrease the country's reliance on food grain imports, resolve the food crisis and ease the raw material problem, especially in jute and cotton. Nearly 45 per cent of the resources were designated for agriculture, while industry got a modest 4.9 per cent. The focus was to maximize the output from agriculture,

'Mahalanobis' Model of Growth

The Mahalanobis model was propounded by the famous Prasanta Chandra Mahalanobis in the year 1953. His model addresses different issues pertaining to economic development.

According to this model, it is assumed that the economy is closed and has two segments:

1. Segment of consumption goods
2. Segment of capital goods

The model envisages a shift in the pattern of industrial investment towards building up a domestic consumption goods sector. The model's strategy suggests that in order to reach a high standard in consumption, investment in building a capacity in the production of capital goods is firstly needed. Capital goods cannot be moved or are 'non-shiftable'. Investments are decided based on the availability of capital goods where 'capital' means scares should be utilized to generate more capital for further investments. A high enough capacity in the capital goods sector in the longrun expands the capacity in the production of consumer goods. Capital goods production is not influenced by consumer goods production.

By following the Mahalanobis model, the then government wanted to ensure optimum assignment of the funds among various productive segments. This was aimed to achieve maximum returns on a long-term basis. As many as five steel plants including the ones in Durgapur, Jamshedpur and Bhilai were set up as per the Second Five Year Plan. Hydroelectric power plants were also established during the tenure of this Plan. There was considerable increase in production of coal. The north-eastern part of the country witnessed an increase in the number of railway tracks.

During the term of the Second Five Year Plan, the Atomic Energy Commission was set up in 1957. During the same period, the Tata Institute of Fundamental Research was born, which conducted several programmes to search for talented individuals who would eventually be absorbed into programs related to nuclear power.

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which would then provide the impetus for industrial growth. Though the first plan was formulated hurriedly, it succeeded in fulfilling the targets. Agriculture production increased dramatically, national income went up by 18 per cent, per capita income by 11 per cent and per capita consumption by 9 per cent. It was during the Plan period that India became a self-sufficient, food producing nation.

The Second Plan (1956–60) reflected Nehru's vision of planned economic development and Fabian Socialism. 'Socialist pattern of society' was the key objective of social and economic policy. The second Five-Year Plan was initiated in a climate of economic prosperity where industry gained prominence. Agriculture programmes were formulated to meet the raw material needs of industry, besides covering the food needs of the increasing population. The Industrial Policy of 1956 was socialistic in nature. The plan aimed at 25 per cent increase in national income.

In comparison to First Five Year Plan, the Second Five Year Plan was a moderate success. Unfavourable monsoon in 1957–58 and 1959–60 impacted agricultural production and the Suez crisis blocked international trading, increasing commodity prices. The Second Plan was nearly aborted when the foreign exchange crisis engulfed the country in 1957 and forced a severe cutback in the public expenditure programme envisioned under the Plan. This ushered in the cumbersome machinery of foreign exchange controls that survived for several decades after. It should be noted that foreign exchange controls were not the result of ideology; they

Industrial Policy Resolution, 1956

The Industrial Policy Resolution, 1956, was shaped by the 'Mahalanobis Model' of growth, which suggested that an emphasis on heavy industries would lead the economy towards a long-term higher growth path. The Resolution, which widened the scope of the public sector, remained the basic plan of the Industrial Policy until 1991. All industries of basic and strategic importance and in public utility services, besides those requiring large scale investments, were reserved for the public sector.

The main objectives of the Industrial Policy Resolution, 1956, were as follows:

(a) To accelerate the role of economic growth and speed up industrialization

(b) To develop heavy industries and machine-making industries.

(c) To prevent private monopolies and concentration of economic power in different fields in the hands of a few individuals

(d) To expand the public sector

(e) To build a large and growing cooperative sector

(f) To reduce disparities in income and wealth

The Industrial Policy Resolution, 1956, classified industries into three categories. The first category comprised 17 industries (included in Schedule A of the Resolution) exclusively under the domain of the Government. These included inter alia, railways, air transport, arms and ammunition, iron and steel, heavy plant machinery, coal and lignite, ship building, telegraph, wireless apparatus, telephones and atomic energy. The second category (Schedule B Category) comprised 12 industries (included in Schedule B of the Resolution), which were envisaged to be progressively State-owned but the private sector was expected to supplement the efforts of the State.

The third category (Schedule C category) contained all the remaining industries and it was expected that the private sector would initiate development of these industries but they would remain open for the State as well. It was envisaged that the State would facilitate and encourage development of these industries in the private sector. This sector would be subject to control and regulation in terms of Industries (Development and Regulations) Act, 1951and other relevant legislations. Despite the demarcation of industries into separate categories, the Resolution was flexible enough to allow the required adjustments and modifications in the national interest.

Another objective spelt out in the Industrial Policy Resolution, 1956, was the removal of regional disparities through development of regions with low industrial base. Accordingly, adequate infrastructure for industrial development of such regions was duly emphasized. Given the potential to provide large-scale employment, the Resolution reiterated the Government's determination to provide all sorts of assistance to small and cottage industries for wider dispersal of the industrial base and more equitable distribution of income.

(*Note: This resolution is also referred to 'Economic Constitution' of the Country.*)

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were born out of necessity as a pragmatic response of the bureaucracy to a crisis, which itself was induced, in part by a liberal import regime intended to spur the domestic economy during Second Five Year Plan.

The Third Plan (1961–1965) reflected a disconnect between 'targets and performance, requirements and resources' and between the goal of rapid industrialization on the one hand and the gradual pace of agrarian reforms (especially land reforms) on the other.

The public policy of the Nehru era had set in motion a more or less stagnant colonial economy, though at a 'Hindu rate of growth' of 2.5 per cent. A proliferating bureaucracy, corruption, nation closed to foreign capital and the consequent technological backwardness in production, lack of competition and shoddiness of the consumer goods, an unaccountable public sector and the consequent low productivity, all came along. Preservation of public entity remained at the base of all economic choices during the period. Nehru sought financial and technical help from nearly all industrialized countries, in addition to borrowing from the World Bank for long-term infrastructure development. The aid mostly came from the United States, but Germany, France, Soviet Union and Britain, all contributed. Foreign aid played an important role in India's economy during its first 20 years. Large amount of the aids was used to establish engineering colleges (IITs, Regional Engineering Colleges, etc.), polytechnic institutes, management institutes (IIMs), medical colleges as well as industries (steel plants).

Monopolies and Restrictive Trade Practices (MRTP) Act, 1969

The Bill, drafted by MIC and amended by a Committee of Parliament, became the Monopolies and Restrictive Trade Practices (MRTP) Act, 1969. The Act drew its inspiration from the mandate enshrined in the Directive Principles of State Policy in the Constitution, which aim at securing social justice with economic growth.

The Preamble of the Act states that the statute is enacted to provide that the operation of economic system does not result in concentration of economic power to the common detriment and for the control of monopolies. The Act envelops within its ambit, fields of production and distribution of both goods and services.

The Act drew heavily from the laws embodied in the Sherman Act and Clayton Act of the United States, the Monopolies and Restrictive Trade Practices (Inquiry and Control) Act, 1948, the Resale Prices Act 1964 and the Restrictive Trade Practices Act, 1964 of the United Kingdom, and also those enacted in Japan, Canada and Germany.

The thrust areas are:

- Prevention of concentration of economic power to the common detriment
- Control of monopolies
- Prohibition of monopolistic trade practices
- Prohibition of unfair trade practices

INDIRA GANDHI'S ERA (MID-1960s AND 1970s)

Indira Gandhi's tenure as Prime Minister (1966–77) and Chairman of Planning Commission coincided with the Fourth, Fifth and Sixth Five Year plans. The period of 1964–65 was followed by a substantial decline and retrogression, which lasted till mid seventies. The fourth Plan (1969–74) and subsequent Plans evolved from the successes and failures of 1960s. During Indira's regime, two major shifts took place in the role of the State. First, the neglect of agriculture was reversed through state activism in subsidizing new seeds and fertilizers, agricultural credit, and rural electrification. The focus shifted from increasing food grain output by bringing more acreage under cultivation to increasing productivity through use of hybrid seeds, expanding irrigation and use of more fertilizers (India did not have a fertilizer factory until 1967). The Green Revolution took off, and by the mid-1970s, India was self-sufficient in grain.

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The second shift was the further tightening of state control over every aspect of the economy. Banks were nationalized, trade was increasingly restricted, price controls were imposed on a wide range of products, and foreign investment was squeezed. Nationalization of banks led to rapid expansion of branch networks of all banks in their areas.

The Indian system of state planning went far beyond the usual inward-looking industrialization policies that most developing countries pursued after World War II. The government regulated the most basic business decisions—borrowing, investment, capacity utilization, pricing and distribution—for all firms above a certain size. The Monopolies Inquiry Commission (MIC) was set up in 1964 to review various aspects pertaining to concentration of economic power and operations of industrial licensing under the Industries (Development and Regulations) Act (IDR Act), 1951. While emphasizing that the planned economy contributed to the growth of industry, the report by MIC concluded that the industrial licensing system enabled big business houses to obtain disproportionately large share of licenses which had led to pre-emption and foreclosure of capacity. Subsequently, the Industrial Licensing Policy Inquiry Committee (Dutt Committee), constituted in 1967, recommended that larger industrial houses should be given licenses only for setting up industry in core and heavy investment sectors, thereby necessitating reorientation of the Industrial Licensing Policy.

Industrial Policy Statement, 1973

With a view to prevent excessive concentration of industrial activity in large industrial houses, this Statement gave preference to small and medium entrepreneurs over large houses and foreign companies, in setting up of new capacity particularly in the production of mass consumption goods. New undertakings of up to Rs 10 million by way of fixed assets were exempted from licensing requirements for substantial expansion of assets. This exemption was not allowed to MRTP companies, foreign companies and existing licensed or registered undertakings having fixed assets of Rs.50 million and above.

In 1969, the Monopolies and Restrictive Trade Practices (MRTP) Act was introduced to enable the Government to effectively control concentration of economic power. Large industries were designated as MRTP companies and were eligible to participate in industries that were not reserved for the Government or the small-scale sector.

Industrial Policy Statement, 1977

This Statement emphasized decentralization of the industrial sector with an increased role for small-scale, tiny and cottage industries. It also provided for close interaction between industrial and agricultural sectors and highest priority was accorded to power generation and transmission. It expanded the list of items reserved for exclusive production in the small-scale sector from 180 to more than 500. For the first time within the small-scale sector, a 'tiny unit' was defined as a 'unit' with investment in machinery and equipment up to Rs 0.1 million and situated in towns or villages with a population of less than 50,000 (as per 1971 census). Basic goods, capital goods, high technology industries important for development of small scale and agriculture sectors were clearly delineated for the large-scale sector.

The policy categorically stated:, "Large houses would have to rely on their own internally generated resources for financing new projects or expansion of existing ones. The funds of the public sector would largely be available for the small sector."

Regulation Act (FERA), 1973, was to be treated at par with Indian companies. The Policy Statement of 1977 also issued a list of industries where no foreign collaboration of financial or technical nature was allowed as indigenous technology was already available. Fully owned foreign companies were allowed only in highly export-oriented sectors or sophisticated technology areas. For all approved foreign investments, companies were completely free to repatriate capital and remit profits, dividends, royalties, etc. Further, in order to ensure balanced regional development, it was decided not to issue fresh licenses for setting up new industrial units within certain limits of large metropolitan cities (more than 1 million population) and urban areas (more than 0.5 million population).

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Indira Gandhi also furthered the growth of the private and consumer goods industries. A rise in and mobilization of national savings became a major goal of the economy in order to finance increased investment. High priority was given to the financial sector and other saving mechanisms to promote savings.

The new Industrial Licensing Policy of 1970 classified industries into four categories. First was the 'core sector', which consisted of basic, critical and strategic industries. Second was the 'heavy investment sector', comprising projects involving investments of more than Rs. 50 million.

The third category, the 'middle sector' consisted of projects with investments in the range of Rs. 10 million to Rs. 50 million; and the fourth was the 'delicensed sector', which had investments less than Rs.10 million and was exempted from licensing requirements. This Industrial Licensing Policy, 1970 confined the role of large business houses and foreign companies to the core, heavy and export oriented sectors.

In 1973, dealings in foreign exchange as well as foreign investment came to be regulated by the Foreign Exchange and Regulation Act (FERA), which virtually shut the inflow of new technology from abroad in the 1970s and 1980s, particularly when these involved large equity participation.

Indira Gandhi accomplished a lot but also made mistakes in her policies with imposition of Emergency powers by her government, population control sterilization programmes, misuse of political campaigns, etc.

Industrial Policy Statement, 1980

The industrial Policy Statement of 1980 placed accent on promotion of competition in the domestic market, technological upgradation and modernization of industries.

Policy measures were announced to revive the efficiency of Public Sector Undertakings (PSUs) by developing the management cadres in functional fields viz., operations, finance, marketing, and information system. An automatic expansion of capacity up to five per cent per annum was allowed, particularly in the core sector and in industries with long-term export potential.

Special incentives were granted to industrial units which were engaged in industrial processes and technologies aiming at optimum utilization of energy and the exploitation of alternative sources of energy. In order to boost the development of small scale industries, the investment limit was raised to Rs. 2 million in small scale units and Rs. 2.5 million in ancillary units. In the case of tiny units, investment limit was raised to Rs. 0.2 million.

Industrial Policy Statement, 1980

Some of the socio-economic objectives spelt out in the Industrial policy statement, 1980 were:

1. Optimum utilization of installed capacity
2. Higher productivity and higher employment levels
3. Removal of regional disparities
4. Strengthening of agricultural base
5. Promotion of export oriented industries and
6. Consumer protection against high prices and poor quality

INDUSTRIAL POLICY MEASURES OF THE EIGHTIES

Policy measures initiated in the first three decades since Independence facilitated the establishment of basic industries and building up of a broad-based infrastructure in the country. The Seventh Five Year Plan (1985–1900), recognized the need for consolidation of these strengths and initiating policy measures to prepare the Indian industry to respond effectively to emerging challenges. A number of measures were initiated towards technological and managerial modernization to improve productivity, quality and to reduce cost of production. The public sector was freed from a number of constraints and was provided with greater autonomy. In

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1988, all industries, excepting 26 specified in the negative list, were exempted from licensing. The exemption was, however, subject to investment and locational limitations. The automotive industry, cement, cotton spinning, food processing and polyester filament yarn industries witnessed modernization and expanded scales of production during the 1980s.

With a view to promote industrialization of backward areas in the country, the Government of India announced, in June 1988, the Growth Centre Scheme under which 71 growth centers were proposed to be set up throughout the country. These were to be endowed with basic infrastructure facilities such as power, water, telecommunications and banking, to enable them to attract industries.

INDUSTRIAL POLICY STATEMENT, 1991

The year of 1991 is the watershed year in Indian social and economic history. Prime Minister Mr P.V. Narashima Rao was fully aware of the strengths and weakness of India. He knew how our country had matured as a political system and had an economy that could be let on its own. Economic liberalization and opening up of the economy to the rest of the world was deemed essential to realize higher economic growth. The economy had to grow faster and have access to foreign exchange to avert major debt service problem.[37] It was also the

Industrial Policy Statement, 1991

The objective of the Industrial Policy Statement, 1991, was to maintain sustained growth in productivity, enhance gainful employment and achieve optimal utilization of human resources, to attain international competitiveness, and to transform India into a major partner and player in the global arena. Quite clearly, the focus of the policy was to unshackle the Indian industry from bureaucratic controls. This called for a number of far-reaching reforms:

(a) A substantial modification of Industry Licensing Policy: The Policy Statement included abolition of industrial licensing for most industries, barring a handful of industries for reasons of security and strategic concerns, social and environmental issues. The small-scale sector continued to be reserved. Norms for setting up industries (except for industries subject to compulsory licensing) in cities with more than one million populations were further liberalized.

(b) Recognizing the complementarily of domestic and foreign investment, foreign direct investment was accorded a significant role in policy announcements of 1991. Foreign direct investment (FDI) up to 51 per cent foreign equity in high priority industries requiring large investments and advanced technology was permitted. Foreign equity up to 51 per cent was also allowed in trading companies primarily engaged in export activities.

(c) With a view to inject technological dynamism in the Indian industry, the Government provided automatic approval for technological agreements related to high priority industries and eased procedures for hiring of foreign technical expertise.

(d) Major initiatives towards restructuring of Public Sector Units (PSUs) were initiated, in view of their low productivity, overstaffing, lack of technological upgradation and low rate of return. In order to raise resources and ensure wider public participation in PSUs, it was decided to offer its shareholding stake to mutual funds, financial institutions, general public and workers.

(e) To revive and rehabilitate chronically sick PSUs, it was decided to refer them to the Board for Industrial and Financial Reconstruction (BIFR). The Policy also provided for greater managerial autonomy to the Boards of PSUs.

(f) The Industrial Policy Statement of 1991 recognized that the Government's intervention in investment decisions of large companies through MRTP Act had proved to be deleterious for industrial growth. Accordingly, pre-entry scrutiny of investment decisions of MRTP companies was abolished. The thrust of policy was more on controlling unfair and restrictive trade practices. The provisions restricting mergers, amalgamations and takeovers were also repealed.

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time when disintegration of erstwhile Soviet Union took place and India feared loss of protective ties and foreign markets for 10 per cent of its exports.

A new policy and programs were announced in 1991. The Industrial Policy Statement of 1991 stated that "the Government will continue to pursue a sound policy framework encompassing encouragement of entrepreneurship, development of indigenous technology through investment in research and development, bringing in new technology, dismantling of the regulatory system, development of the capital markets and increased competitiveness for the benefit of common man". It further added that "the spread of industrialization to backward areas of the country will be actively promoted through appropriate incentives, institutions and infrastructure investments."

Industrial Policy Measures Since 1991

Since 1991, industrial policy measures and procedural simplifications have been reviewed on an ongoing basis. Presently, there are only six industries which require compulsory licensing. Similarly, there are only three industries reserved for the public sector. Some of important policy measures initiated since 1991 are set out below.

- Foreign direct investment has been an integral part of India's economic policy. FDI up to 100 per cent has also been allowed under automatic route for most manufacturing activities in Special Economic Zones (SEZs). More recently, in 2004, the FDI limits were raised in the private banking sector (up to 74 per cent), oil exploration (up to 100 per cent), petroleum product marketing (up to 100 per cent), petroleum product pipelines (up to 100 per cent), natural gas and LNG pipelines (up to 100 per cent) and printing of scientific and technical magazines, periodicals and journals (up to 100 per cent). In February 2005, the FDI ceiling in telecom sector in certain services was increased from 49 per cent to 74 per cent.
- Reservation of items of manufacture exclusively in the small scale sector has been an important tenet of industrial policy. The Government has adopted a policy of de-reservation and has pruned the list of items reserved for SSI sector gradually. The investment limit in plant and machinery of small scale units has been raised by the Government from time to time. To enable some of the small scale units to achieve required economies of scale, a differential investment limit has been adopted for them since October 2001. Presently, there are 41 reserved items which are allowed a investment limit up to Rs 50 million instead of present limit of Rs 10 million applicable for other small scale units. Equity participation up to 24 per cent of the total shareholding in small-scale units by other industrial undertakings has also been allowed. The objective therein has been to enable the small-sector to access the capital market and encourage modernization, technological upgradation, ancillarization, sub-contracting, etc.
- Under the framework provided by the Competition Act 2002, the Competition Commission of India was set up in 2003 to prevent practices having an adverse impact on competition in markets.
- In an effort to mitigate regional imbalances, the Government announced a new North-East Industrial Policy in December 1997 to promote industrialization in the north-eastern region. This policy is applicable to the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. The Policy has provided various concessions to industrial units in the oorth-eastern region, e.g., development of industrial infrastructure, subsidies under various schemes, excise and income-tax exemption for a period of 10 years, etc. The North Eastern Development Finance Corporation Ltd. has been designated as the nodal disbursing agency under the Scheme.

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Navratnas

'Navratna' was the title given originally to nine Public Sector Enterprises (PSEs), identified by the Government of India in 1997 as its most prestigious, which allowed them greater autonomy to compete in the global market. The number of PSEs having Navratna status has been raised to 19, the most recent addition being Oil India Limited.

Criteria for Navratna

Navratna status is conferred by Department of Public Enterprises. To be qualified as a Navratna, the company must obtain a score of 60 (out of 100). The score is based on six parameters which include net profit to net worth, total manpower cost to total cost of production or cost of services, PBDIT (Profit Before Depreciation, Interest and Taxes) to capital employed, PBDIT to turnover, EPS (Earning Per Share) and inter-sectoral performance. Additionally, a company must first be a 'Miniratna' and have four independent directors on its board before it can be made a Navratna.

Companies Nominated as Navratna

The Navratna status is offered to PSEs, which gives a company enhanced financial and operational autonomy and empowers it to invest up to Rs. 1000 crore or 15 per cent of their net worth on a single project without seeking government approval. In a year, these companies can spend up to 30 per cent of their net worth not exceeding Rs. 1000 cr. They will also have the freedom to enter joint ventures, form alliances and float subsidiaries abroad.

Navratna CPSEs:
Bharat Electronics Limited
Bharat Heavy Electricals Limited
Bharat Petroleum Corporation Limited
Coal India Limited
GAIL (India) Limited
Hindustan Aeronautics Limited
Hindustan Petroleum Corporation Limited
Indian Oil Corporation Limited
Mahanagar Telephone Nigam Limited
National Aluminium Company Limited
NMDC Limited
NTPC Limited
Oil India Limited
Oil & Natural Gas Corporation Limited
Power Finance Corporation Limited
Power Grid Corporation of India Limited
Rural Electrification Corporation Limited
Shipping Corporation of India Limited
Steel Authority of India Limited

Source: DPE O.M., No. DPE/11(2)/97-Fin., dated 22nd July, 1997

- The focus of disinvestment process of PSUs has shifted from sale of minority stakes to strategic sales. Until December 2004, PSUs had been divested to an extent of Rs. 478 billion.
- Apart from general policy measures, some industry specific measures have also been initiated. For instance, the Electricity Act 2003 was enacted to de-license power generation and permit captive power plants. It also intended to facilitate private sector participation in the transmission sector and provide open access to the grid sector. Various policy measures have facilitated increased private sector participation in key infrastructure sectors such as telecommunication, roads and ports. Foreign equity participation up to 100 per cent has been allowed in construction and maintenance of roads and bridges. MRTP provisions have been relaxed to encourage private sector financing by large firms in the highway sector.

Evidently, in the process of evolution of industrial policy in India, the Government's intervention has been extensive. Unlike many East Asian countries which used State intervention to build strong private sector industries, India opted for the State control over key industries in the initial phase of development. In order to promote these industries, the Government not only levied high tariffs and imposed import restrictions, but also subsidized the nationalized firms, directed investment funds to them, and controlled both land use and prices.

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In India, there has been a consensus for long on the role of Government in providing infrastructure and maintaining stable macroeconomic policies. However, the path to be pursued toward industrial development has evolved over time.

In retrospect, the Industrial Policy Resolutions of 1948 and 1956 reflected the desire of the Indian State to achieve self sufficiency in industrial production. Huge investments by the State in heavy industries were designed to put the Indian industry on a higher long-term growth trajectory. With limited availability of foreign exchange, the effort of the Government was to encourage domestic production. This basic strategy guided industrialization until the mid-1980s. Industrial licensing played a crucial role in channeling investments, controlling entry and expansion of capacity in the Indian industrial sector. As such, industrialization occurred in a protected environment, which led to various distortions. Tariffs and quantitative controls largely kept foreign competition out of the domestic market, and most Indian manufacturers looked on exports only as a residual possibility.

'Maharatna' Status

The Government of India, in 2010, decided to give 'Maharatna' status to four Public Sector Undertakings, viz. Indian oil Corporation (IOC), NTPC Limited (NTPC), Oil and Natural Gas Corporation Limited (ONGC) and Steel authority of India.

Eligibility criteria are:

(a) Having Navratna status

(b) Listed on Indian Stock Exchange, with minimum prescribed public holding

(c) An average turnover of last three years to be over Rs. 25,000 crores

(d) An average net worth during the last three years of more than Rs. 15,000 crores

(e) An annual average net profit after tax during the last three years, of more than Rs. 5000 crores

(f) Significant global presence.

Tariffs and Trade

The Government embarked on a mission to reform tariff and brought down all rates to a level lower than 15 per cent, with most goods having a ceiling of 20per cent duty. The emphasis is to maintain a large number of incentive programmes for exports. These include income tax exemptions, subsidized credit, export insurance and guarantees, export promotion and access to some imports that are normally subject to restrictive licensing. Since 1995, the Government of India has initiated number of actions to deregulate, with a view to integrate India closely with the world economy. The objectives of these reforms are to:

(a) Accelerate the country's transition to a globally-oriented economy with a view to deriving maximum benefits from an expanding global market

(b) Stimulate sustained economic growth by providing access materials, intermediates, components, consumer goods and capital goods required for augmenting production

(c) Enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitive strength, while generating new employment opportunities

GANDHIAN WAY OF INDUSTRIALIZATION

While it is true that Gandhi was not a professional economist, his economics is rich in its comprehension of the dynamics of economic processes, and thought-provoking in its provision of creative alternatives. To Gandhi, economic activities cannot be separated from other activities or abstracted from human life. Economics is part of the way of life, which is related to collective values. Gandhi wanted to ensure distributive justice by ensuring that production and distribution are not separated.

Economic Independence (*Swaraj*)

One of Gandhi's basic principles is that the "Earth provides enough to satisfy every man's need but not for every man's greed". While mainstream economics makes the common man completely helpless in the matter

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of production and distribution of resources, Gandhi visualized an alternative through the system of *swaraj*. For him, *swaraj* is necessary for the liberation of weaker economies from the commanding position of neo-liberal capitalism.

The components of swaraj are based on two independent variables–psychology and ethics. Since resources are scarce, production cannot be increased indefinitely. The psychology of affluence is an irrational phenomenon. The basic principles of economic activity are based on needs and not on affluence. Affluence breeds inequality, as it is based on economic distortion. Greed grows out of the desire to be affluent. Here, psychology can play a crucial role as values which condition the mind can change human behaviour. The goal of *swaraj* brings limits to human wants.

What are the ingredients of economic independence or *swaraj*? First, Gandhi gave adequate importance to the traditional sector with highest priority to agriculture and agro-centric industries. The balance between primary, secondary and tertiary sectors should be skillfully maintained, on the basis of available human resources. Second, villages must get more importance than cities. Gandhi observed: "You cannot build non-violence on a factory civilization, but it can be built on self-contained villages… You have, therefore, to be rural-minded, and to be rural-minded, you have to have faith in the spinning wheel."

The effectiveness of economic *swaraj* can be tested by the application of the following seven criteria:

- Eradication of poverty and minimization of affluence
- Self-sufficiency of every unit in basic needs
- Identification of basic human needs and their fulfillment
- Agro-centric economy as the basis to create an economy of permanence
- Need-based production as far as possible through small-scale units
- Check on distortions through basic education and skill formation and
- Curtailment of concentration of economic power

Home Economy (*Swadeshi*)

Mahatma Gandhi was a champion of *swadeshi* or home economy. People outside India know of Gandhi's campaigns to end British colonialism, but this was only a small part of his struggle. The greater part of his work was to renew India's vitality and regenerate its culture. For Gandhi, the soul and spirit of India rested in its village communities. He said: "The true India is to be found, not in its few cities, but in its seven hundred thousand villages. If the villages perish, India will perish too."

According to the principle of *swadeshi*, whatever is made or produced in the village must be used, first and foremost, by the members of the village. Trading among villages, and between villages and towns, should be minimal. Goods and services that cannot be generated from within the community can be bought from elsewhere.

Swadeshi avoids economic dependence on external market forces that could make the village community vulnerable. It also avoids unnecessary, unhealthy, wasteful and environmentally destructive transportation. The village must build a strong economic base to satisfy most of its needs and all members of the village community should give priority to local goods and services.

Mainstream economics believes in centralized, industrialized and mechanized modes of production, whereas Gandhi envisions a decentralized, home-grown, hand-crafted mode of production. Mass production forces people to leave their villages, their land, their crafts and their homesteads and go to work in the factories. Instead of dignified human beings and members of self-respecting village communities, villagers become cogs in the wheel. In swadeshi, the machine would be subordinate to the worker.

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In countries practising swadeshi, economics would have a place, but would not dominate society. Both economics and politics should not simply be concerned with material things, but should be the means to the fulfillment of cultural, spiritual and religious ends. In fact, economics should not be separated from the deep spiritual foundations of life. This can be best achieved, according to Gandhi, when every individual is an integral part of the community; when the production of goods is on a small scale; when the economy is local; and when homemade handicrafts are given preference. These conditions are conducive to a holistic, spiritual, ecological and communitarian pattern of society. In Gandhi's view, spiritual values should not be separated from politics, economics, agriculture, education and all the other activities of daily life. In this integral design, there is no conflict between the spiritual and the material.

Trusteeship

Gandhi's efforts towards "spiritualizing economics" are reflected in his concept of 'trusteeship'. He based the concept of 'trusteeship' on the first verse (*sloka*) of the Hindu sacred text the *Isopanishad*, according to which, one is asked to dedicate everything to God, and then use it only to the required extent. In other words, in the first instance, everything must be surrendered to God, and then out of it, one may use only that which is necessary for the service of God's creation, according to one's strict needs. The spirit of this concept is detachment and service.

According to Gandhi, 'trusteeship' is the only ground on which one can work out an ideal combination of economics and morality. In concrete form, the 'trusteeship' formula reads as follows:

- Trusteeship provides a means of transforming the present capitalist order into an egalitarian one.
- It does not recognize any right of private ownership of property, except so far as it may be permitted by society for its own welfare.
- It does not exclude legislation of the ownership and use of wealth
- Under State-regulated trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction, in disregard of the interests of society.
- Just as in the case of a decent minimum living wage, a limit should be fixed for the maximum income that would be allowed to any person in society. The difference between such minimum and maximum incomes should be reasonable and equitable and variable from time to time, so much so that the tendency should be towards the obliteration of the difference.
- Under such an economic order, the character of production will be determined by social necessity and not by personal greed.

Gandhi enjoins this moral obligation on the part of the trustees, as he is fully aware of the ills of capitalism which widen the gap between the rich and the poor. The Gandhian concept of 'trusteeship' departs significantly from Marxian economic philosophy too. Marxian socialism aims at the destruction of the class called capitalists, whereas the Gandhian approach is not to destroy the institution, but to reform it. Gandhian socialism, being ethical, is different from Marxian socialism. Man, to Gandhi, is an ethical being first and a social being later.

The most significant difference between Marxian socialism and Gandhian socialism lies in the method they recommend to achieve it. Whereas Marxian socialism harps on violence, Gandhian socialism aims at a change of heart on the part of the rich. There is no place for violence, but only trust. The common man trusts his trustee and the latter plays the role of a custodian. Though this kind of socialism is difficult to achieve, Gandhi advocated it as he believed in the basic strength of the goodness of man and the value of morals. All other "isms" address the problem superficially, whereas 'trusteeship' strikes it at the root. What must not be forgotten is that at the centre of the concept lies the need to protect human dignity.

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SUMMARY

India is an ancient civilization and had very clear and demarcated system of production. The society was divided in *varan* with each *varan* having distinct function. The trade and commerce flourished as is available from records of various travelers who came to India. The Indian industry supplied goods to as far as Europe. The workers had their own Guilds popularly known as *sernis*, which had responsibility towards workers as also for maintenance of quality.

India missed the modern industrial revolution and the reign of British primarily hurt the domestic industry especially textiles. They, however, gave India railways and telegraph, linking the far flung parts of the country.

The major Industrialization took place post-Independence. The first major plan for industrialization was prepared by industrialist of this nation popularly known as the 'Bombay Plan'. Post-independence under the leadership of Pandit Jawaharlal Nehru India embarked on planned economy. State started playing dominant role in industry. The five year plans were drawn. India has so far gone through ten Five Year Plans, the eleventh is in progress. There have been three distinct phases of growth of Industry after the here Prime Ministers of India, the Nehru Era, which saw growth of heavy industry and Machine tools, The Indira Era, which saw agriculture revolution fructifying and expansion of Industry, and Post-1991 era, which saw the opening of economy. During the tenure of Mr Atal Bihari Vajpayee as the Prime Minster of India, this country witnessed growth in communication (road and telephones). Today India is one of the major industrial hubs in the world.

Gandhi has his share of contribution towards industrialization by advocating 'swadeshi' and growth by way of labour intensive industry. Gandhi advocated self sustained villages. The Gandhian concept of growth has been one of the fundamentals of growth advocated by Government of India in which Gram Udyog, Khadi and small scale industries have been promoted and given various incentives.

KEY TERMS

Bombay plan
Karkhanas
Karkhanadars
Mahalanobis
Maharatna
Navratna
Panchyats
Srenis
Swadeshi
Swaraj

REVIEW QUESTIONS

1. Give, in brief, the growth of trade, commerce and industry in India from ancient times to modern era.
2. Which indigenous financial instrument was used during the Mughal rule?
3. What is meant by *karkhanas*?
4. List three items of Indian exports during the medieval period; also list any three items imported into India during the same period.
5. It is normally understood that India has progressed a great deal in modern times, especially after Independence, in the field of business and trade. Pandit Jawaharlal Nehru used to refer to factories and industries as 'temples of modern India'. Do you agree with the statement? Discuss.
6. Write a brief note on the Gandhian concept of industrialization?
7. Write a note on the Industrial Policy, 1956? How did it change the profile of the Indian industrial scene?
8. List out the distortions noticed by the Industrial Policy of 1977 in the implementation of the Industrial Policy Resolution, 1956. Also, catalogue the measures undertaken by the Industrial Policy to remove the distortions.

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9. Write short notes on the following:
   (a) Industrial Policy Resolution, 1956
   (b) Industrial Policy Measure in the 1960s and 1970s
   (c) Industrial Policy Statement,1973
   (d) Industrial Policy Statement, 1977
   (e) Industrial Policy Statement, 1980
   (f) Industrial Policy Measures during the 1980s
   (g) Industrial Policy Statement, 1991
   (g) Industrial Policy measures since 1991

PROJECT WORK

Study Mr Nirvikar Singh's Article on 'Services-led industrialization in India: Assessment and Lessons', on www.un.org/esa/sustdev/ publications/industrial.../2_3.pdf and prepare yourself to discuss the same in the class, with special reference to the impact on Indian Society.

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PART THREE 3

Structure of Industry

7. Industrial Organization
8. Social Groups in Industry
9. Communication
10. Organization and Its External Environment
11. Ethics and Human Values

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CHAPTER SEVEN

Industrial Organization

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- What is industrial organization
- Types of organization
- Bureaucracy and formal organization
- Ideal vs real bureaucracy
- Voluntary associations
- Professional in organization
- Quality circles
- The Japanese corporate model
- Emerging organization designs

EVERY ORGANIZATION HAS A STRUCTURE

Tarun is a medical practitioner in Metro Hospitals and Heart Institute, the largest Cardiac Care Centre at Meerut (*see Chapter 1*). Traun works in an organization in which there is administration, accounts, marketing, and the cardiac unit. There is a structure in the organization each of these subparts is headed by an Officer in Charge. Before any Cardiac surgery is done, there is consultation and approval accorded by the Director.

His monthly salary bill is prepared by the accounts after the administration reports is presence and absence. All expenditure on medicine and hospital expenses are charged to patient by accounts after the Cardiac Unit raises the bill.

Thus, every organization has a structure and the structure assist in carrying out the functions smoothly and efficiently.

The economic, social and political changes that capitalist-led modernization brought in its wake created a world that was fundamentally different from the relatively small-scale and simple forms of production and administration which had dominated earlier phases of capitalist development in the eighteenth and the

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early nineteenth century.[1] The late nineteenth and early twentieth century witnessed with it the growing dominance of large-scale organizational units in economic, social and political life as the complexity and intensity of collective activity moved beyond the administrative capacity of more personal and direct forms of coordination.[2] The rise of the 'administrative state' symbolized a new mode of governance in which rational, scientific organization transformed human nature.

It is commonplace observation that lone craftsman plying his trade is an anomaly, if he exists at all. In his place we have a large industrial plant/organization, with raw materials entering at one end and the finished products coming out at the other. Within this large industrial plant/organization, there is a large number of persons with various skills and diverse functions; there are supervisors on the shop floor, managers, clerical assistants, executives and a host of technical specialists. It is only due to diverse trades and differentiation of persons and their activities that one may speak of an organization. The concept of organization implies an interrelationship among parts or elements—in this case, among persons/workers/employees. Thus, industrial plant is a 'social' organization with a social structure; a network of reciprocal rights and obligations, supported by sentiments and formal rules.

The function of any organization is to keep its components together in a particular form and relationship in order to give it stability of the kind of organization system in use. The development of large organizations transformed all of society, and, indeed, the modern corporations may be the most significant innovation in the last 100 years.

WHAT DOES INDUSTRIAL ORGANIZATION MEAN?

According to the Webster's *New World Dictionary*, 'industry' refers to 'manufacturing productive enterprises collectively, especially as distinguished from agriculture'. Industry also means 'any large-scale business activity', such as the steel industry.

Organizations are social entities that are goal directed are designed as deliberately structured and coordinated activity systems, and are linked to the external organization. The key elements of an organization are the people and their relationships with one another. An organization exists when people interact with each other to perform essential functions that help attain goals.

CONCEPT OF ORGANIZATION

Organizations are rationally designed to solve permanently the conflict between collective needs and individual wants that had bedeviled social progress since the days of ancient Greece.[3] In this view, organizations are the means by which people working together can accomplish more complicated tasks than they can as individuals acting separately. The concept of organization involves:

(a) Organizations have specific goals or vision.
(b) Generally designed to outlive the participation of any individual who participates at any one time
(c) Having a more or less well developed set of formal rules;
(d) A relatively fixed structure of authority, roles and responsibilities that is independent of the personal characteristics of those filling the roles at any particular time.

While the symbol of community was fraternity, the symbol of organization was power….organization signifies a method of social control, a means of imparting order, structure and regularity to society.[4]

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What is Organizing?

Organizing involves translating the planned steps into reality. Johannsen and Roberson (1968) have defined organizing as "the process of determining the necessary activities and positions within an enterprise, department or group, arranging them into the most effective functional relationships; defining the authority, responsibility and duties of each and assigning them to individuals so that effort is coordinated towards a common end."

This definition has given out certain characteristics:

(a) 'Organizing the structure', which determines the various positions within as organization.

(b) Coordination: Functions of each position be coordinated to attain the objective coordination can be stated as; "various activities and roles of men are adjusted and integrated with each other not only in their social but also in their technical actions."

(c) 'Departmentalization' of the activity or grouping of similar activities to form an organizational unit. The basis of departmentalization is the 'function' performed; 'type of product' manufactured; 'territory' in which the product is produced or marketed; 'customers' as classified in accordance with the type of goods served; 'process' involved in making and the type of equipment used. When the departments become autonomous then these are referred to as 'divisions' Departmentalization by function is most widespread with most popular departments in an organization being production, finance, marketing and human resource. Lately, large numbers of other departments have sprung up to meet specific needs such as Media, PR, logistics, procurement etc.

Principles of Organization

Koontz and O'Donnell proposed the following 'Principles of Sound Organization':

1. Unity of Objective
2. Principle of Efficiency
3. Span of Management
4. Scalar Principle
5. Principle of Responsibility
6. Principle of Parity of Authority and Responsibility
7. Principles of Unity of Command
8. The Authority-Level Principle

Organization refers to two distinct parts: **structural** and **contextual.**

Structural Dimensions

Structural dimensions provide labels to describe internal characteristics of an organization. These include

1. 'Formalization', which is amount of written documentation that exist in an organization.
2. 'Specialization' or the degree to which organizational tasks are sub-divided into separate jobs.
3. 'Hierarchy of authority' describes who reports to whom. Hierarchy is related to span of control.
4. 'Centralization' refers to the hierarchical level that has authority to make decisions.
5. 'Professionalism' is the level of formal education and training of employees.
6. 'Personal ratios' refer to the deployment of people to various functions and departments.

Contextual Dimensions

Contextual dimensions are a set of overlapping elements that underlie an organization's structure and work processes. Contextual dimensions describe the organizational settings that influences and shapes organizations structure; personnel, material and financial resources necessary to develop the activity in optimum conditions. It includes:

1. 'Size' is typically measured by the number of employees.
2. 'Organizational Technology' refers to the tools, techniques, and actions used to transform inputs into outputs.

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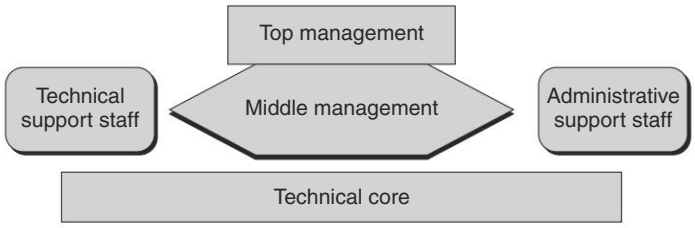
3. The 'environment' includes all elements outside the boundary of the organization such as industry, government, customers, suppliers, and the financial community.
4. The organization's 'goals and strategy' define the purpose and competitive techniques that set it apart from their organizations.
5. An organization's 'culture' is an underlying set of key values, beliefs, understanding and norms shared by employees. These include ethical behaviour, commitment to employees, efficiency, or customer service, and provide the glue to hold the organization members together.

Henry Mintzberg suggests that every organization has five parts, viz. technical core, top management, middle management, technical support and administrative support (see Figure 7.1).



Sources: Henry Mintzberg, *The Structuring of Organizations* (Englewood Cliffs, NJ: Prentice Hall, 1979), pp. 215–297; and Henry Mintzberg, "Organization Design-fashion Fit", *Harvard Business Review,* 59 (January–February 1981), pp. 103–116.

FIGURE 7.1 Parts of an organization

LINE AND STAFF

In an organization, the authority is differentiated between line and staff. 'Authority' can be defined as 'the right to make decisions, to direct the work of others, and to give orders'.

Line Managers

It is the line manager who is directly responsible for meeting the targets and accomplishes the organizational goals and objectives, and is always someone's superior. They are authorized to direct the work of subordinates. The major responsibilities of line managers towards human resource could be listed as:

(a) Placing the right person on the right job
(b) Orienting and absorbing the new employees in the organization
(c) Training and upgrading the employee on the skills required to perform in the organization and at the position employed for. Also, training employees to meet the future requirements of the organization.
(d) Improving performance.
(e) Controlling costs of labour.
(f) Developing abilities of each employee.

Staff

The 'staff' advises and assists the line managers in accomplishing the goals and objectives. In small enterprises employing few people, the line manager may perform all the functions. But as the organization

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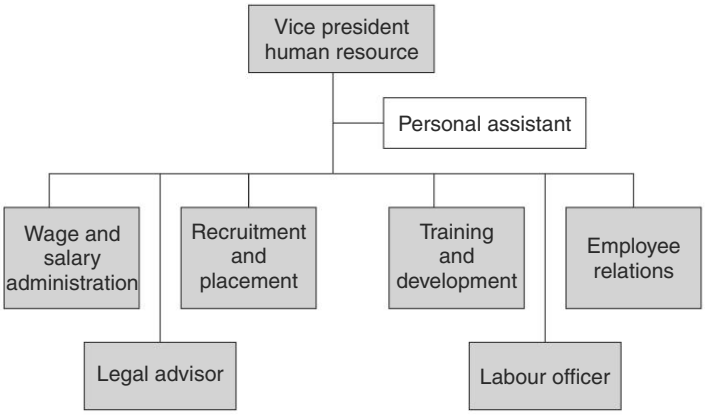
grows there is a need to have specialized people with knowledge and skills to perform the finance, marketing, human resource functions and a separate staff is appointed to carry out these function. The Human Resource Manager is a staff in an organization and his/her main function is advisory and of controlling and servicing, and helping line functionaries in carrying out their functions. The effectiveness of staff depends upon the manner in which the line functionaries employ their staff in carrying out their functions. Staff in large or medium organization performs three main functions:

(a) Line Function: The Human Resource Manager performs the line function in his/her department by exerting the line authority. He/she does not usually exercise the line authority outside the department but exerts an 'implied authority'.

(b) A coordinative function: Human Resource Managers also carry out coordination of all personnel activities. This is also known as functional control in which the Human Resource Managers implement the organizations personnel policies.

(c) Staff (assist and advice) functions: The main function of a Human Resource Manager is that of a staff. In this, the Human Resource Manager assists in strategy design and execution by helping the Chief Executive Officers to better understand the personnel aspects of the company's strategic options. Human Resource Mangers assist in recruiting, orienting, training, evaluating, counseling etc. of the employees. The size of Human Resource Department and the number of Human Resource specialists employed reflects the size of the company (see Figure 7.2 for large companies and Figure 7.3 for a small manufacturing unit.



Notes:

- Each of the departments could be manned by many officers depending upon the quantum of work load
- There could be sub departments in each

FIGURE 7.2 Human resource department organizational chart—large company

TYPES OF ORGANIZATIONS—FORMAL, OCCUPATIONAL, INFORMAL AND TRADITIONAL

As various forms of organization pervade social life, some difficulty also attaches to the definition of those which are the subject-matter of the sociology of organizations. In a useful discussion of this problem, David Silverman has suggested that the 'formal organizations', with which this branch of sociology is concerned, have three distinguishing features:

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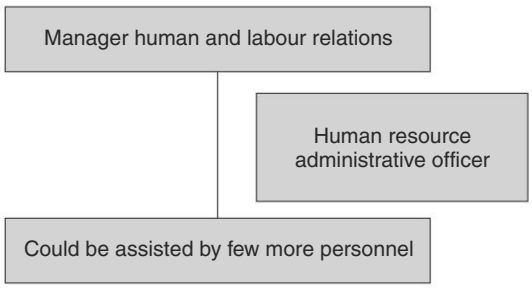

FIGURE 7.3 Human resource department organizational chart—small company

(a) Arise at an ascertainable moment in time
(b) As 'artifacts' they exhibit patterns of social relations, which are less taken for granted than those in non-formal organizations (such as the family) and which organizational participants often seek to co-ordinate and control
(c) Considerable attention is paid to the nature of these social relations and to planned changes in them

Structure generally imposes order and predetermines internal relationships of forms in a structure. The structures can be formal, occupational or informal. Most organizations have a formal structure. In the earlier chapter, we had derived that one of the characteristics of labour in industrial society is 'a highly specialized division of labour and is probably the most distinctive and important characteristics of industrial society.' The 'formal structures' are needed to achieve effective coordination and cooperation for the attainment of common purpose. The defining characteristics of 'formal structure' are that they comprise those elements in social relations which are explicit, though not necessarily embodied in written documents , and intentionally created to serve particular purposes which are recognized in common by the persons involved, though not necessarily accepted by them .[5] In conventional terms, it includes the formal organization of management, the allocation of responsibility and authority, conditions of employment, working arrangements on the shop floor, and the organization of trade unions within the plant and the machinery for management-union relations. We shall be discussing this in detail subsequently.

Satisficing

Simon (1957) explained the typical decision-making based on limited information as the adoption of a 'good enough' solution to a problem—what he called 'satisficing behaviour'. According to him, people do not seek the best solution but operate within 'bounded rationality' and accept choices or judgments that are good enough for their purpose.

'Occupational structure' is the division of a labour force into categories on the basis of differences of function and skill. It is closely associated with rewards, material and social, and it may give rise to the formation of occupational groups of greater or lesser cohesiveness, with shared values and attitudes, and greater and lesser awareness of common interests, and to the growth of occupational associations, such as trade unions, to further those interests.[6]

The 'informal structure' of the plant comprises those aspects of face-to-face relations which are structured or patterned but which are not regarded by the participants as, nor preconceived for the purpose of, achieving a particular or limited objective. These are relations based on congeniality or friendship.[7] Such relations will tend to reflect divisions and groupings created by the occupational structure and formal structure, but are not determined by them; indeed social ties established outside the plant may

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influence the informal structure, and the norms and patterns of behaviour and of communication influenced and maintained by the informal structure may conflict with demands of formal structure.[8]

All three elements—formal structure, occupational and informal structures–will influence the values and attitudes of the members of the organization. In addition, however, there may be values, attitudes and behaviour which are not the outcome of the existing social structure but are influenced by 'traditions', which become the fourth main category. Some of these traditional values, ideas and ideologies may be characteristics of society in general, such as beliefs in 'honesty', 'fairness' and 'justice'; others may be specific to a particular plant or company, such as the 'family ideology' which can still be found in firms which have grown to be large public companies.[9]

Formal Organizations

Formal organizations or secondary groups designed to achieve explicit objectives, have become a central feature of contemporary society. Most of us are born within them, we are educated in them, we spend our working lives in them, and we are buried by them.[10] A formal organization is one with a continuously and rationally operating staff. Such staff possesses power—a probability that its commands will be obeyed. It utilizes discipline—a probability that, as a result of habit, commands will result in immediate and automatic obedience.

Formal organizations take variety of form, with people joining or participating for a variety of reasons. These are 'normative organizations', such as civic causes (political campaigns, religious organizations,

Mechanistic and Organic Structures

The 'mechanist organization' has a rigid structure and is typically found where the environment is stable and predictable. Its characteristics are:

(a) Tasks required by the organization are broken down into specialized, functionally-differentiated duties and individual tasks are pursued in an abstract way that is more or less distinct from the organization as a whole.

(b) The precise definition of rights, obligations, and technical methods is attached to roles, and these are translated into the responsibilities of a functional position, and there is a hierarchical structure of control, authority, and communication.

(c) Knowledge of the whole organization is located exclusively at the top of the hierarchy, with greater importance and prestige being attached to internal and local knowledge, experience, and skill rather than that which is general to the whole organization.

(d) A tendency for interactions between members of the organization to be vertical i.e. between superior and the subordinate.

The 'Organic Organization' has a much more fluid set of arrangements and is an appropriate form to the changing environmental conditions, which require emergent and innovative responses. Its characteristics are:

(a) Individuals contribute to common tasks in the organization and there is continual adjustment and redefinition of individual tasks through interaction through others.

(b) The spread of commitment to the organization beyond any technical definition, a network structure of control authority and communication, and the direction of communication is lateral rather than vertical.

(c) Knowledge may be located anywhere in the network, with this ad hoc location becoming the centre of authority and communications.

(d) Importance and prestige attached to affiliations and expertise valid in industrial and technical and commercial milieu external to the firm.

Mechanistic and organic firms are polar types at the point at the opposite ends of continuum and. In some organizations, a mixture of both types could be found.

Source: Burns, T. and Stalker, G.M. (1961), *The Management of Innovation*, London: Tavistock

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Rotary Clubs, etc.), that people join voluntarily and without financial compensation because they believe the cause is worthy. 'Utilitarian organizations' are formed by people who join to gain some material benefit. Taking a job at a bank or hospital constitutes joining a utilitarian organization.[11]

A central characteristic of formal organizations is the division of labour. Prior to capitalism and industrialization, there was little division of labour, and few formal organizations existed. In this woodcut of money coiners in Germany during the Middle Ages, you can see an early division of labour and perhaps the emergence of a formal organization.

The guilds of western Europe during the twelfth century are example of formal organizations. People who performed the same type of work organized to control their craft in a local area. They set prices and standards of workmanship.[12] Another example of an early formal organization is the army, with its structure of senior officers, junior officers, and ranks. Formal armies, of course, go back to early history.

With industrialization, secondary groups became common. Today we take their existence for granted and, beginning with grade school, all of us spend a good deal of time in them. Formal organizations tend to develop into bureaucracies, and in general, the larger the formal organization, the more likely it is to be bureaucratic.

Bureaucracy

A specific kind of formal organization is bureaucracy. It is defined by Randall Collins as "organizational control achieved by explicit rules and regulations and by specifying responsibilities for action in written records."[13] Rational-legal authority provides a basis for bureaucracy. It involves:

> "… A system of consciously made rational rules (these may be agreed upon or imposed from above), which meet with obedience as generally binding norms whenever such obedience is claimed by him whom the rule designates. In that case every single bearer of powers of command is legitimized by the system of rational norms, and his power is legitimate insofar as it corresponds with the norm. Obedience is thus given to the norms rather than to the person."[14]

Essential Characteristics of Bureaucracies

Although the army, the post office, a college, and General Motors may not seem to have much in common, they are all bureaucracies Max Weber analysed them, and summarized some characteristics of a bureaucracy[15]:

Indian Bureaucracy, the worst in Asia: Survey

Singapore's civil servants are the most efficient among their Asian peers, a business survey on 12 economies shows, but they tend to clam up unhelpfully when things go wrong. The island-state was ranked first for a third time in a poll of 1,274 expatriates working in 12 north and south Asian nations on the efficiency of bureaucrats in those countries. The poll was last held in 2007.

During normal times, when the system is not stress-tested, it operates very well, the Hong Kong-based Political & Economic Risk Consultancy said in a 12-page report of Singapore's bureaucracy. However, during difficult times—or when mistakes are made that reflect badly on the system—there is a tendency among bureaucrats to circle the wagons in ways that lack transparency and make accountability difficult, the report said. India's suffocating bureaucracy was ranked the least-efficient by the survey, which said working with the country's civil servants was a slow and painful process.

Source: indianexpress.com, accessed on June 3, 2009

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1. A hierarchy with assignments flowing downward and accountability flowing upward: The bureaucratic structure of a typical university is shown in Figure 7.3
2. A division of labour: Each member of a bureaucracy has a specific task to fulfill, and all of the tasks are then coordinated to accomplish the purpose of the organization.
3. Written rules: There is continuous rule-bound conduct of all official business. In their attempt to become efficient, bureaucracies stress on written procedures. The rules of some bureaucracies cover just about every imaginable situation. The guiding principle generally becomes, 'If there isn't a written rule covering it, it is allowed'.
4. Written Communications and Records: Records are kept of most of what occurs in a bureaucracy. ("Fill that out in triplicate.") Consequently, workers in bureaucracies spend a fair amount of time sending memos back and forth. They also produce written reports detailing their activities.
5. Impersonality: It is the office that is important, not the individual who holds the office. You work for the organization, not the replaceable person who heads some post in the organization. Consequently, members of a bureaucracy owe allegiance to the office, not to particular people. If you work in a bureaucracy, you become a small cog in a large machine. Each worker is a replaceable unit, for many others are available to fulfill each particular function.
6. Conduct: The rules that regulate the conduct of an office may be technical rules or norms.

Bureaucracies are so powerful and overwhelming that even Mother Teresa, one of the most famous religious figures of the late twentieth century, was not able to overcome bureaucratic rules in order to help the US homeless.

Instead of labeling a particular organization as a "bureaucracy" or "not a bureaucracy,"[16] it probably makes more sense to think in terms of the extent to which an organization is bureaucratized.[17]

Sociological Significance of Bureaucracies

Perhaps the main sociological significance of bureaucracies is that they represent a fundamental change in how people relate to one another. When work is rooted in social relationships, much more is at stake than efficiency in performing tasks and keeping an eye on the bottom line. Seeing that all family members are employed, or that everyone in the community has a chance to make a living, may be the determining factors in making decisions. Bureaucracies, or the rationalization of society, changed all this.[18]

'Ideal' versus 'Real' Bureaucracy

Just as people often act quite differently from the way the norms say they should, so it is with bureaucracies. The characteristics of bureaucracies identified by Weber are 'ideal' and 'real'. Bureaucracy often differs from its ideal image. The actual lines of authority ("going through channels"), for example, may be quite different from those portrayed on organizational charts, such as that shown in Figure 7.4. For example, suppose that before being promoted, the university president had taught in the history department. As a result, friends from that department may have direct access to him or her. In giving their "input" (ranging from opinions about how to solve problems to personal grievances or even gossip), these individuals may skip their chairperson or even the dean of their college altogether.

Voluntary Associations

Although bureaucracies have become the dominant form of organization for large, task-oriented groups, voluntary associations are also common in industrial society.

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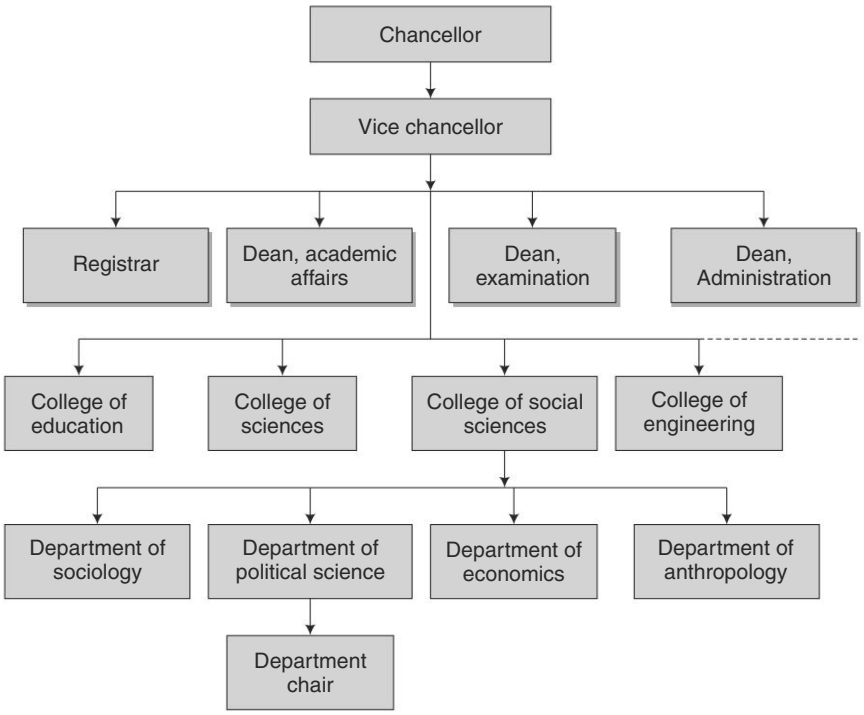

FIGURE 7.4 A typical bureaucratic structure

Dysfunctions of Bureaucracies

Weber recognized that his model accounts for only part of the characteristics of bureaucracies, which have a dark side, and do not always operate smoothly. Let's look at some of bureaucracy's dysfunctions:

Red Tape: A Rule Is a Rule.

Lack of Communication between Units: Each unit within a bureaucracy performs specialized tasks, which are designed to contribute to the organization's overall goals. At times, these units fail to communicate with one another and end up working at cross purposes. This happens daily with the Indian Government when one minister contradicts the other.

Goal Displacement: Bureaucracies sometimes take on a life of their own, adopting new goals in place of old ones. In this process, called goal displacement, even when the goal of the organization has been achieved and there no longer is any reason for it to continue, continue it does. Some of the ministries and departments in the Government of India are examples of it (Department for Eradication of Small Pox).

Bureaucratic Incompetence: In a tongue-in-cheek analysis of bureaucracies, Laurence Peter proposed what is now known as the Peter Principle: Each employee of a bureaucracy is promoted to his or her level of incompetence (Peter and Hull 1969). People who perform well in a bureaucracy come to the attention of those higher up the chain of command and are promoted. If they again perform well, they are again promoted. This process continues until finally they are promoted to a level at which they can no longer handle the responsibilities well; this is their level of incompetence. There they hide behind the work of others, taking credit for what those under their direction

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Functions of Voluntary Associations

People do not have to belong to these organizations but join because they obtain benefits from their participation. Functionalists have identified three functions of voluntary associations:

1. Voluntary organizations advance the particular interests they represent. For example, adults who are concerned about children's welfare, volunteer for the Scouts because they think that this group is superior. In short, voluntary associations get things done.
2. Voluntary groups also offer people an identity, for some, even a sense of purpose in life. As in-groups, they provide their members with a feeling of togetherness, of belonging, and in many cases, of doing something worthwhile. This function is so important for some individuals that their participation in voluntary associations becomes the centre of their lives.
3. Voluntary associations help govern the nation and maintain social order. Groups that help "get out the vote" or assist the Red Cross in coping with disasters are obvious examples.

Note that the first two functions apply to all voluntary associations. In a general sense, so does the third. Although few organizations are focused on politics and the social order, taken together, voluntary associations help to incorporate individuals into the general society. By allowing the expression of desire and dissent, they help prevent anomie.

Sociologist David Sills[19] identified four other functions, which apply only to some voluntary groups:

1. Some voluntary groups mediate between the government and the individual. For example, some provide a way for people to put pressure on lawmakers.
2. By providing training in organizational skills, some groups help individuals climb the occupational ladder.
3. Some voluntary groups help bring people into the political mainstream.
4. Finally, some voluntary groups pave the way to social change. Opposing society's definitions of "normal" and socially acceptable, some groups such as Greenpeace challenge society's established boundaries. Their activities often indicate the direction of social change.

Voluntary associations, then, represent no single interest or purpose. Their thread is mutual interest. The particular interest varies from group to group; however, it is the shared interest in some view or activity that binds their members together.

Although a group's members are united by shared interests, their motivations for joining the group differ widely. Some join because they have strong conviction concerning the stated purpose of the organization, others simply because membership gives them a chance to make contacts that will help them politically or professionally. Some even join to be closer to some special person of the opposite sex.

With motivations for joining voluntary associations and commitment to their goals so varied, these organizations often have a high turnover. Some people move in and out of groups almost as fast as they change clothes. Within each organization, however, is an inner core of individuals who stand firmly behind the group's goals, or at least are firmly committed to maintaining the organization itself. If this inner core loses commitment, the group is likely to fold.

Problem of Oligarchy in Organizations

Oligarchy is a system in which many are ruled by a few. Sociologist Robert Michels (1876–1936) coined the term the 'iron law of oligarchy' to refer to how formal organizations come to be dominated by a small, self-perpetuating elite. The majority of the members become passive, and an elite inner group keeps itself in power by passing the leading positions from one clique member to another.

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Most organizations are run by only a few of their members. What many find depressing about the iron law of oligarchy is that it applies even to organizations strongly committed to democratic principles. Even Indian political parties, for example, supposedly the backbone of the nation's representative government, have fallen prey to it. Run by an inner group that may or may not represent the community, they pass their leadership positions from one elite member to another. This principle is also demonstrated by both houses of Parliament. With their control of statewide political machinery and access to free mailing, about 90 per cent of parliamentarians who choose to run are re-elected. This is true for the United States (Statistical Abstract 1997: Table 447) and UK also.

Corporate Culture: Consequences of Hidden Values

Culture is composite of social relationships and practices within which people and activities are embedded. Sociologist Rosabeth Moss Kanter[20] stresses that the corporate culture, the orientations that characterize corporate work settings, is crucial in determining people's corporate fate. Culture strongly influences behaviour because their decision is subject to some kind of reward or punishment. Individuals who stay in the organization do so by adapting to the culture, and they in turn, enforce culture on those who join the group. Regardless of conditions entrenched, culture cannot be easily changed. Not surprisingly, these people perform better and become more committed to the organization, thus confirming the initial expectation. In contrast, those judged to be outsiders find opportunities closing up. They tend to work at a level beneath their capacity, come to think poorly of themselves, and become less committed to the organization.

The hidden values that created this self-fulfilling prophecy remain invisible to most. What are visible are the promotions of people with superior performances and greater commitment to the company, not the self-fulfilling prophecy that produced these attitudes and work performances.

The box explores how ideas are often judged in corporations not by their merit, but according to who expresses them. You can see how such hidden values contribute to the iron law of oligarchy, for the corporate elite, the tight inner group that heads a corporation, sets in motion a self-fulfilling prophecy that tends to reproduce itself with people who 'look' like themselves. Although women and minorities, who don't match the stereotype, are often 'showcased'— placed in highly visible positions with little power in order to demonstrate to the public how progressive the company is[21]—they often occupy 'slow-track' positions, where accomplishments seldom come to the attention of top management.

Professional Organizations

Professional organizations are those in which professionals play the central role in the achievement of the primary organizational objectives. Such organizations are regarded 'autonomous' if the administrative sector delegates the organization and control of most professional activities within the organization to the staff of professional, and as 'heteronomous' if the administration retains control over most professional activities.[22] Scott[23] has also identified three organizational contexts in which professionals work or are employed.

(a) Autonomous Professional Organizations*:* are organizations in which the work of professionals is not subject to any external or administrative control. The control is exercised by senior professional colleagues. Here, the authority lies with the senior professionals and they evolve an organizational structure best suited to them.

(b) Heteronomous Professional Organization*:* In this type of organizations, professional employees are subjected to an external authority (including a legislative authority) which leads to the lessening of professional authority.

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Maneuvering the Hidden Culture—Women Surviving the Male-dominated Business World

I work for a large insurance company. Of its 2500 employees, about 75 per cent are women. Only 5 per cent of the upper management positions, however, are held by women. I am one of the more fortunate women, for I hold a position in middle management. I am also a member of the 12-member junior board of directors, of whom nine are men and three are women.

Recently, one of the female members of the board suggested that the company become involved in 'Horizons for Tomorrow', a program designed to provide internships for disadvantaged youth. Two other women and I spent many days developing a proposal for our participation.

The problem was how to sell the proposal to the company President. From past experiences, we knew that if he saw it as a "woman's project" it would be shelved into the second tier of "maybes." He hates what he calls "aggressive bitches."

The three of us decided, reluctantly, that the proposal had a chance only if it were presented by a man. We decided that Bill was the logical choice, and knew that we had to "stroke" Bill if we were going to get his cooperation.

We first asked Bill if he would "show us how to present our proposal." (It is ridiculous to have to play the role of the "less capable female" in the 1990s, but, unfortunately the corporate culture sometimes dictates this strategy.) To clinch matters, we puffed up Bill even more by saying, "You're the logical choice for the next chairmanship of the board."

Bill, of course, came to our next planning session, where we "prepped" him on what to say.

At our meeting with the President, we had Bill give the basic presentation. We then backed him up, providing the background and rationale for why the President should endorse the project. As we answered the President's questions, we carefully deferred to Bill.

The President's response: "An excellent proposal," he concluded, "an appropriate project for our company."

To be successful, we had to maneuver through the treacherous waters of the "hidden culture" (actually not so "hidden" to women who have been in the company for a while). The proposal was not sufficient on its merits, for the "who" behind the proposal is atleast as significant as the proposal itself.

"We shouldn't have to play these games," Laura said, summarizing our feelings.

But we all know that we have no choice. To be labelled as "pushy" is to commit "corporate suicide"—and we're no fools.

Source: Written by an insurance executive in Henslin's introductory sociology class who, out of fear of retaliation at work, chooses to remain anonymous. Maneuvering the Hidden Culture—Women Survivingthe Male-Dominated Business World

(c) Professional Department*:* It functions as a part of a larger organization.

Etzioni[24] distinguishes between three organizational types in which professionals usually work:

(a) Professional Organizations
(b) Service Organizations
(c) Non-professional Organizations

While the divisions suggested above by Etzioni may be useful as a step of categorization of professionals in work contexts, but it has been observed that organizations do not purely function according to the above categorization. Hospitals are both, a professional and a service organization. The Indian public hospital is an organization that proximates the autonomous professional organization as characterized by Scott above, yet the professionals in these hospitals are salaried Government employees, and not withstanding considerable professional autonomy, they have to work under prescribed organizational constraints and under certain normative prescriptions of an external agency, the Governing Board not exclusive constituted by professionals. The same is in education sector in India where professors and teachers have considerable autonomy, but are salaried employees of the institute, which in turn, is governed by the management or board of directors.

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From the above, it is evident that autonomous professionals, whatever may be the level of professional competence of the occupation they pursue, cannot exist so far as they are employees of an organization. This results in a organizational professional. The basis of authority of an organizational professional is knowledge, and the nature and knowledge the professional commands may considerable influence his/her role structure in the organizational system.

Quality Circles

'Quality Circle' or 'quality control circles' is a participative philosophy woven around quality control and problem-solving techniques at the bottom level. It optimizes the policy of people building, respect for human beings and conceives participative management culture. This concept enables the lowest employee to play a meaningful and significant role in the organization. The main purpose behind quality circle is to build people and produce quality people towards making quality products or provide quality services. The quality circle is composed of 6 -- 10 employees doing similar work.

Small Work Groups

Pioneered in the computer industry to increase productivity and cut down on absenteeism, 'small work groups', or self-managed teams, are now used by one in five U.S. Companies and many companies in India. The small work group establishes primary relationships among its members, and workers' identities become tied up with their group. This reduces alienation, for rather than being lost in a bureaucratic maze, here, their individuality is appreciated and their contributions more readily recognized. The results have been so good that in what is known as "worker empowerment," some self-managed teams even replace bosses in controlling everything from schedules to hiring and firing.[25]

Cooperatives

Cooperatives are organizations owned by members who collectively make decisions, determine goals, evaluate resources, set salaries, and assign work tasks. These tasks are all carried out without a hierarchy of authority, for all members can participate in the decisions of the organization. Since the 1970s, large numbers of cooperatives have been established.

Cooperatives attempt to achieve some specific social good and to provide a high level of personal satisfaction for their members as they work towards that goal. Because all members can participate in decision making, cooperatives spend huge amounts of time in deciding even routine matters. The economic results of cooperatives are mixed. Many are less profitable than private organizations, others more so. A few have been so successful that they have been bought out by Wall Street firms.

TECHNOLOGY AND CONTROL OF WORKERS

Many people rejoice over the computer's capacity to improve their quality of life. They are pleased with the quality control of manufactured goods and the reduction of drudgery. Records are much easier to keep, and we can type just one letter and let the computer print and address it to 10 or 10,000 individuals. Computers also hold the potential of severe abuse. They may allow governments to operate a police state, monitoring every move of citizens. The Big Brother in Orwell's classic novel, 1984, may turn out to be a computer. Social

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psychologist Shoshana Zuboff[26] reports how computers allow managers to increase surveillance without face-to-face supervision.

As sociologist Gary Marx[27] says, with computers' spying eye, we may be moving to a "maximum- security" workplace. The maximum-security workplace seems an apt term for what is coming. As many fear, with the computer's awesome capacities, this kind of workplace may be just one part of a "maximum-security society." [28]

JAPANESE CORPORATE MODEL

How were the Japanese able to rise from the defeat of World War II, including the nuclear destruction of two of their main cities to become such a giant in today's global economy? Some analysts trace part of the answer to the way in which their major corporations are organized. Let's look at the conclusions of William Ouchi,[29] who pinpointed five major ways in which Japanese corporations differ from those in the United States.

Cultural Diversity Around the World: Cracks in the Corporate Facade

- The Japanese are more productive than Americans.
- The living standard of Americans has fallen behind that of the Japanese.
- All Japanese workers enjoy lifetime job security.
- The Japanese work for cheaper wages than Americans do.

What is wrong with these statements? These are untrue. In recent years, the Japanese economic behemoth seemed unstoppable. Many nations felt threatened by it, and there was even talk that Japan had lost World War II, but was winning a new, undeclared economic war. Impressed with the Japanese success, many nations, including United States, copied parts of their economic model. A closer look, however, reveals that not everything about the Japanese corporate system is as it appears on the surface.

One element, in fact, is so unfair from the U.S. perspective is that at the age of 60, workers are dismissed, but retirement income does not begin until workers reach 65. Facing five years without income, these workers must depend on savings, part-time, low-paying jobs, and family and friends to get by until their retirement pay kicks in.

It turns out that only employees of major corporations have lifetime job security, perhaps a third of all Japanese workers.

Japan has found that paying the same wages to almost everyone in the same age group is costly and inefficient. Diligent but uninspired executives are compensated more by seniority than by output. Bottom-up decision making is also too slow to adjust to rapidly changing worldwide markets.

Although still small by Western standards, unemployment has grown, while industrial output has fallen. Japanese labour costs have soared.

In a surprise move, Japan turned to U.S. corporations to see why they are more efficient. Japanese corporations now lay off workers and use merit pay. Toyota and Honda, for example, give bonuses to managers who meet their goals (a standard policy in the U.S. system, to be sure, but strange and innovative in Japan).

And to meet the changing challenges of international markets, instead of waiting for "bottom-up" results, some managers now initiate decisions.

We know that the Japanese were remarkably successful in their initial adapting of the West's manufacturing techniques to their culture. If they make the adjustment of this second phase as successfully, we can predict that a much leaner, meaner Japanese production machine will emerge.

The real bottom line is that we live in a global marketplace—of ideas as well as products. The likely result of global competition will be that both the West and Japan will feed off each other—the one learning greater cooperation in the production process, the other greater internal competition.

Sources: Besser 1992; Naj 1993; Schlesinger and Sapsford 1993; Schlesinger et al. 1993; Shill 1993; Reitman and Suris 1994; Shirouzu and Williams 1995; Kanabayashi 1996.

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Hiring and Promotion

College graduates hired by Japanese corporations are thought of as a team working towards the same goal, namely, the success of the organization. They are all paid about the same starting salary, and they are rotated through the organization to learn its various levels, made to work together as a team, and are promoted as a team. Team members cooperate with one another, for the welfare of one represents the welfare of all. They also develop intense loyalty to one another and to their company. Only in later years are individuals singled out for recognition. When there is an opening in the firm, outsiders are not even considered.

Lifetime Security

In Japan, lifetime security is taken for granted. Once hired, employees can expect to work for the same firm for the rest of their lives. Similarly, the firm expects them to be loyal to the company, to stick with it through good and bad times. On the one hand, employees will not be laid off or fired; on the other hand, they do not go job shopping, for their careers—and many aspects of their lives—are wrapped up in this one firm.

Almost Total Involvement

In Japan work is like a marriage: the employee and the company are committed to each other. The employee supports the company with loyalty and long hours of dedicated work, while the company, in turn, supports its workers with lifetime security, health services, recreation, sports and social events, even a home mortgage. Involvement with the company does not stop when the workers leave the building. They are likely to spend evenings with co-workers in places of entertainment, and perhaps to be part of a company study or exercise group.

Broad Training

In Japan, employees move from one job to another within the corporation. Not only are they not stuck doing the same thing over and over for years on end, but they gain a broader picture of the corporation and how the specific jobs they are assigned fit into the bigger picture.

New Organizing Principles

Organizations today are getting flatter, customer -oriented, flexible to accommodate employees, adaptable, global, heterogeneous work force, knowledge seeking, team functions and networking. The new forms of organization exhibit:

- Strong Employee Involvement
- Organic in nature: Ascertaining less rules and regulations, sometimes no clear boundaries, and is always changing forms.
- Authority based on capability: The best workers get the opportunity to carry out the task. The responsibilities are given based on abilities rather than for any other considerations.
- Alliances: In modern industrial societies, alliances are forged for the same reason i.e. to take advantage of the 'economies of scale', and be in strategic position to be able to deliver the goods based on customer satisfaction.
- Working in teams: Due specialization and the intricacies in processes, no one individual is able to complete the task individually; hence, the assignments are done by teams.
- Decentralized organizations: Organization needs to find effective ways to spontaneously and responsively coordinate information and activity across its resulting units to make the best of its abilities and potential and meet customers or stakeholders' aspirations.
- Environmental Concerns

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Decision-making by Consensus

In Japan, decision-making is a lengthy process. The Japanese think it natural that after lengthy deliberations, to which each person to be affected by a decision contributes, everyone will agree on which suggestion is superior. This process broadens decision-making, allowing workers to feel that they are an essential part of the organization, not simply cogs in a giant wheel.

Limitations of the Model

This model of corporate life in Japan has always struck some sociologists as too idealized to accurately reflect reality. And, indeed, to peer beneath the surface gives a different view of this ideal image, as is illustrated in the box Cultural Diversity Around the World, p. 135.

EMERGING ORGANIZATIONAL DESIGNS

With changing technology and expectations, new forms of organizations are emerging. We shall now discuss these in this section.

Lateral Organizations

Lateral organizational arrangements include individuals of different departments and groups. The relations exist on the same organizational level and involve coordination and consultation. This type of arrangements depends upon co-operation activities and informal relations.

The concept of 'role' is important, not only to the functioning of groups, but for understanding cooperation processes and behaviour. It is through role differentiation that the structure of relationships among members is established. The concept of roles helps to clarify the structure and to define the pattern of complex relationships within the group. The development of lateral arrangements entails the identification of distinct roles for each of its members. Some form of structure is necessary for team-work and cooperation.

Lateral organizational arrangements belong to formal relationships which can be seen as forms of role relationships. The role that a person plays in one work group may be quite different from the role that person plays in other work groups. However, everyone within a group is expected to behave in a particular manner and to fulfill certain role expectations.

An important feature of lateral relations is the concept of 'role incongruence'. This means that a member of staff should not be perceived as having a high and responsible position in one respect but a low standing in another respect. "However, in many modern organizations where conventional communication structures either do not exist or are less formal, communication tends to be horizontal, between individuals and departments, rather than the upward or downward flow assumed by so many to be the normal case" (Bell, 2001).

Lateral organizational arrangements are closely connected with functional features of work. The word 'functional' is used to indicate major aspects or departments of the organization such as research, production and marketing.

Network Structure

A network is a pattern of social relations over a set of persons, positions, groups, or organizations. A definition also incorporates organic adaptation and flexibility, suggesting they are:

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"... adapted to unstable conditions, when problems and requirements for action arise which cannot be broken down and distributed among specialists' roles within a hierarchy. ... Jobs lose much of their formal definition ... Interaction runs laterally as much as vertically. Communication between people of different ranks tends to resemble lateral consultation rather than vertical command [and] omniscience can no longer be imputed to the head of the concern."

Spaghetti Organization

Innovation is what makes organizations succeed. Lars Kolind, CEO of Oticon, a Danish company producing hearing aids, designed the Spaghetti Organization. Kolind believed that formal organizational design with departments, paperwork, employees isolated in offices and specialization limited employees' creativity. According to him, "the long, thin, traditional Italian spaghetti represents communication lines between people going up and down and getting completely entangled with each other. It's about connectivity."

As an organizational design the Spaghetti Organization involves six concepts:

- Informal communication between people: Kolind says that "no idea has ever come from writing a memo." He has employees work in open areas which facilitates face-to-face communication.
- Multi-jobs where every single person does more than one thing: People do not work in a specific department but instead work on projects. This way, employees think differently and can be creative.
- Paperless organization: to minimize the limits that stop employees from doing an effective job.
- 'Meatballs' or knowledge centers such as HR, legal, IT and engineering are added to the Spaghetti to support the organization's projects. However, there are no department heads but rather professional coordinators.
- Smart office design: Special attention is given to the physical design of the office environment in order to facilitate dialogue between employees. No one has personal offices and Oticon offers inviting coffee bars so that people don't isolate themselves with their mugs at their desk.

The Spaghetti Organization allows for connectivity, creativity and the ability to make things happen quickly. This certainly can be a strong competitive.

A fundamental feature of social structure in the Information Age is its reliance on networks as the key feature of social morphology. While networks are old forms of social organization, they are now empowered by new information/communication technologies, so that they become able to cope at the same time with flexible decentralization, and with focused decision-making.

Team Organizations

Team-based organizations, in particular are dynamic forms as organizations continually update their configurations of teams and network units to fit a shifting mix of work. Mohrman, Cohen and Mohrman,[30] have delineated five major design tasks involved in designing and redesigning team-based organization.

(a) Fitting the organizational structures to the strategy and work.

(b) Defining organizational linking mechanism to ensure that coordination occurs across the many performing units is the second structural design.

(c) Determination of needed teams and business unit leadership roles. Sharing leadership within teams and across the organizations, ensuring that needed leadership roles are clearly established, and making sure that self-management is encouraged are key considerations.

(d) New approaches to organizational processes such as direction setting, communication, and decision making are needed. The structures stated as first three steps above are the skeleton–the processes

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Tata Cummins Ltd.: Team-based Structure with no Supervisors

Tata Cummins Limited (TCL) is a 50-50 joint venture between Tata Engineering and Cummins Engine Co. Inc.-USA. While Tata Engineering is the largest manufacturer of commercial vehicles in India, Cummins Engine Co. is the largest 200+ HP diesel engine manufacturer in the world. The Joint Venture was incorporated in Oct 1993 and commercial production commenced on January 1, 1996. This represents the fastest new plant start up in Cummins worldwide.

It has a 'flat organization' structure with four levels (no supervisors), a trust-based culture and 'a team-based work system'. It has structured the organization into Business Units along processes and product lines and they function as profit centers. Besides, all associates are grouped into teams and are empowered to take all the decisions generally taken by supervisors in traditional set-ups.

'Openness and Empowerment' is the convention at TCL. Company objectives are devolved to the team and individual level and performance is reinforced through a gain-sharing compensation system. This work culture, combined with highly trained and motivated employees, world class facilities and infrastructure backed by the resources and technical depth of Tata Engineering and Cummins are the company's primary competitive strengths.

are its nervous and circulatory system. Teams need access to information necessary for informed decision making. Ambiguity about making authority can slow down over all decision making and functioning. There is a need to align the organization through clear direction setting process I to enable teams to operate successfully.

(e) Performance management practices must be changed to fit with the new organizational logic. Many team organizations never achieve their potential because goals, reviews, rewards and development practices stay focused on the individual.

The team-based organizations are designed to fit the work that is to be done, hence power of the team comes from self-containing part of the work, giving it the authority and responsibility for its performance, holding its members collectively accountable.

Teams are best in environments where the technologies to deliver the product or service are highly complex and the market place and the organization environments are continually changing.

Fishnet Organization

The concept of the fishnet organization, invented by Johansen and Swigart[31] tries to combine the modern concept of 'heterarchy' and the usual human habit of tendency to hierarchy and order.

A fisher's net if observed on some shore is fully nonhierarchical (thus the name heterarchy), but if we take one node and lift it up, as shown in Figure 7.5, we can observe a dynamically created hierarchy, where the lifted node is on top. In this way we can lift and drop nodes at will, creating new, and destroying old hierarchies. The Fishnet structure methodology to organize everyday work:

- Every member of the organization should be able to start a new project as soon as he/she encounters an opportunity in the environment which he/she considers to be possibly valuable to the organization.
- Every member of the organization should be able to join any project for which he/she considers oneself to be able to contribute with his/her knowledge and experience.
- Every project member should be able to create documentation, accumulate knowledge and add meaning (semantics) for the integration of organizational knowledge.
- Every project member should be able to give and detract votes to and from other project members respectively, with regard to their ability and knowledge on the field of a particular project.

- The highest ranked project member becomes the project leader or project manager and thus claims rights to make time critical decisions, e.g., decisions which should be made in a short period of time.
- Time uncritical decisions are made through a collective integral decision making process, a process which consists of preparation, making, implementation and controlling of decisions.

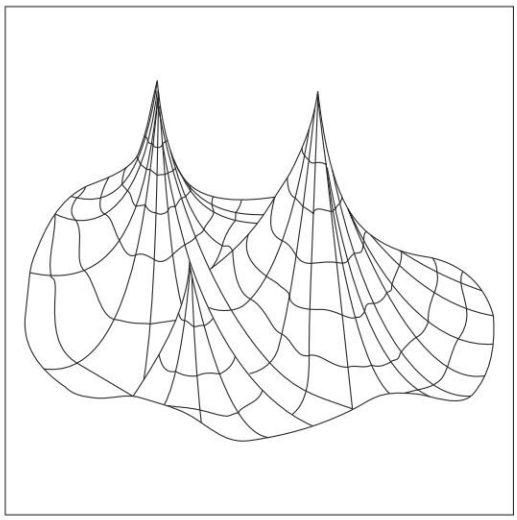

FIGURE 7.5 The fishnet organization

Virtual Organization

'Virtual organization' is used to describe new organizational business forms that emerge with the application of information and communication infrastructures. According to Fisher & Fisher (1998),[32] and Hoefling[33], "Virtual organization stands for a task, project or permanent organization which is decentralized and independent of any spatial connection."

The distance work via information technologies is the ontological trait of the virtual organization. Members of the virtual team or virtual organization may never meet face-to-face or do not have to (Drexler, Sibbet, & Forrester 1988; [34] Hofstede, 1997;[35]). The virtual organization has an appearance of classical organization but it is certainly not. Besides the fact that geographic space of work is no more brick and mortar, these are not principal characteristics of the organization. The organizational process is not restrained by space and time Thus we can characterize virtual organizations as:

- A network of people or organizations which are independent
- The people and organizations are for accomplishing/realizing a common project or common economic activity
- The communication and information processes are held through information technologies
- The organization does not depend on time and space to be made up

Figure 7.6 shows the principal characteristics of the virtual organization concet.

The use of information technologies not only transforms the organizational process, but due to the absence of geographic barriers and time, it becomes largely feasible to minimize the transaction cost of enterprises cooperation with the possibility of unlimited communication.

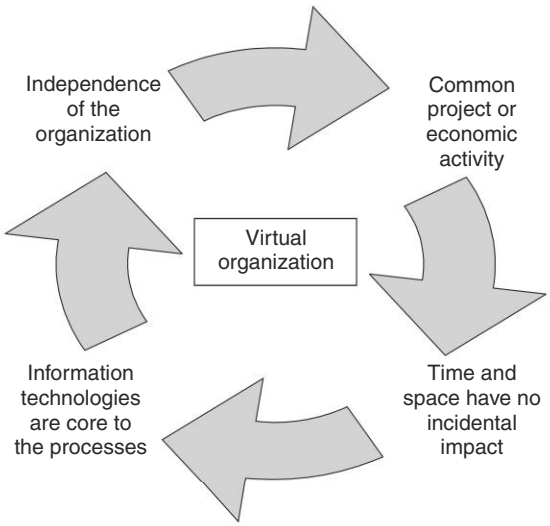

FIGURE 7.6 Characteristics of virtual organization

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According to Mowshowith[36], the virtualization may be taken at different level and Venkatraman (1995) and Saaksjarvi suggest several stratums in the process:

- Individual level or sub-intra-organizational is regarding local tasks involving a group of people in a distinct organization via distance communication process.
- Organizational level when information technologies are used to coordinate the activities of the organization as integration.
- Inter-organizational level is the last layer where numerous organizations utilize the information technologies to coordinate an economic activity (see Figure 7.7).

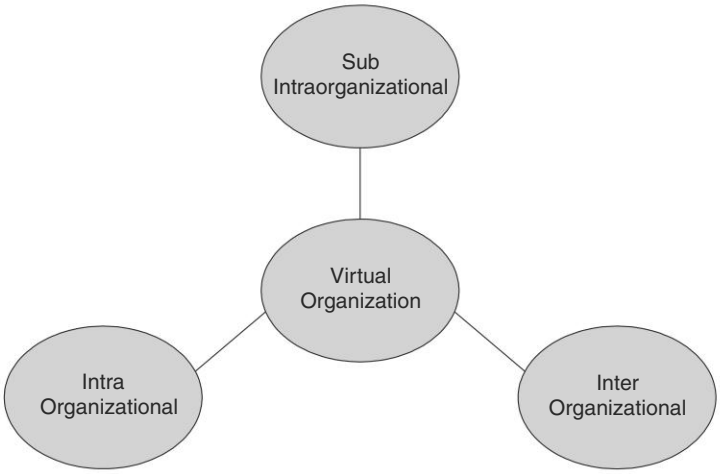

FIGURE 7.7 Typology of virtual organization

The virtualization process of an organization may result in the following:

- **Virtual team:** The simplest form of a VO, it is a local team using information technologies to coordinate connectivity and share knowledge at lower cost.
- **Virtual project:** It can involve several people or organizations in the realization of certain tasks which are a beginning and designated end.
- **Temporarily virtual organization** is likening a virtual project involving several organizations in a designated period of time.
- **Permanent virtual organization** is created when there is no designated period in their cooperation.

Palmer, J and Speoer, C. (1997, 2001) summarized the typology of virtual organization as a Table (see Table 7.1).

Technology (an information system), which is the core of a virtual organization must be viewed as an intermediary platform and not as the virtual organization itself. Henceforth, it would be simplistic to regard virtual organization as a network of actors intermediated by a communication technology platform in the perspective to decrease transaction cost in the coordination of an economic activity. The flexibility of the virtual organization provides (no time and space constraint, independence of actors) an exploration role in

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TABLE 7.1 Palmer and Speoer's Typology of Virtual Organization

Characteristics	*Virtual Teams*	*Virtual Projects*	*Temporary Virtual Organizations*	*Permanent Virtual Organizations*
Range of Involvement	Internal to an organizational function or departmental unit	Across functions and organizations	Across organizations	Across organizations
Membership	Small, local	Indeterminate	Typically larger	Typically smaller, but scaleable
Mission	Teams on specific, ongoing tasks	Multiple organizational representatives working on specific projects	Multiple functions responding to a market opportunity	All functions and full functionality as a working organization
Length of project	Membership varies, but form is permanent	Temporary	Temporary	Permanent
Uses of IT	Connectivity, sharing embedded knowledge (e-mail, groupware)	Repository of shared data (databases, groupware)	Shared infrastructure (groupware, WANs, remote computing)	Channel for marketing and distribution, replacing physical infrastructure (Web, Intranet)

order to understand its environment and adapt itself regarding changes. Though the rational goal of the virtual organization is to exploit (exploitation) opportunities to deliver an output, exploration is an ontological factor associated to its flexibility character.[37]

Beyond a formal contract that inoculates trust in a relationship in a virtual organization, the absence of physical space (face-to-face meeting) requires informal factors to perpetuate the relationship. Besides professional norms and quality standard procedures, informal factors like reputation (Callon & Licoppe, 2000) and recommendation are a must to ensure trust. Lorenz (1999) advocates that implicit engagement is more crucial than writing a contract for virtual organization. He named implicit engagement as ''moral contract'.

Control is another big issue of virtual organization when you consider the limited physical contact and the independence of virtual organization actors suggest by the virtual organization theory. In a virtual environment, traditional ways to identify individuals and their locations are inefficient. If technology taxonomically engenders this challenge, technological applications offer new possibilities to control the organizations. Trust must be associated with control to lower risk in such environment.

Learning Organizations

According to Peter Senge, 'learning organizations' are organizations where people continually expand their capacity to create the results they truly desire; where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together. Senge[38] defined learning organizations as, "where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together." Another definition is: "Learning organizations are characterized by total employee involvement in a process of collaboratively conducted, collectively accountable change directed towards shared values or principles.[39]"

The 'learning organization' has its origins in companies like Shell, where Arie de Geus described learning as the only sustainable competitive advantage. Learning organizations have systems, mechanisms and processes, that are used to continually enhance their capabilities and those who work with it or for it, to achieve sustainable objectives, for themselves and the communities in which they participate.

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Steps for Innovative Learning Organizations

The five aspects that are said to be converging to innovative learning organizations are:

- **Systems thinking** It is the systems thinking that integrates the others, fusing them into a coherent body of theory and practice. "We learn best from our experience, but we never directly experience the consequences of many of our most important decisions," Peter Senge argues with regard to organizations.
- **Personal mastery** "Organizations learn only through individuals who learn. Individual learning does not guarantee organizational learning. But without it, no organizational learning occurs." Personal mastery is the discipline of 'continually clarifying and deepening our personal vision, of focusing our energies, of developing patience, and of seeing reality objectively'. Personal mastery is not something you possess, it is a process. It is a lifelong discipline.
- **Mental models** These are 'deeply ingrained assumptions, generalizations, or even pictures and images that influence how we understand the world and how we take action'. We are often not that aware of the impact of such assumptions, etc. on our behaviour – and, thus, a fundamental part of our task is to develop the ability to reflect-in--and- on-action.
- **Building shared vision** If there is any one idea about leadership that has inspired organizations for thousands of years, it is 'the capacity to hold a shared picture of the future we seek to create'. Such a vision has the power to be uplifting and to encourage experimentation and innovation. When there is a genuine vision (as opposed to the all-too-familiar 'vision statement'), people excel and learn, not because they are told to, but because they want to.
- **Team learning** Such learning is viewed as 'the process of aligning and developing the capacities of a team to create the results its members truly desire'. It builds on personal mastery and shared vision but these are not enough. People need to be able to act together. When teams learn together, not only can there be good results for the organization, but members will grow more rapidly than they could have otherwise.

The important points that emerge are that learning organizations:

- Are adaptive to their external environment
- Continually enhance their capability to change/adapt
- Develop collective, as well as, individual learning
- Use the results of learning to achieve better results

The basic rationale for such organizations is that in situations of rapid change only those that are flexible, adaptive and productive will excel. While all people have the capacity to learn, the structures in which they have to function are often not conducive to reflection and engagement. Furthermore, people may lack the tools and guiding ideas to make sense of the situations they face. Organizations that are continually expanding their capacity to create their future require a fundamental shift of mind among their members.

Thus, for a 'learning organization it is not enough to survive. 'Survival learning' or what is more often termed 'adaptive learning' is important, rather it is necessary. But for a learning organization, 'adaptive learning' must be joined by 'generative learning', or learning that enhances our capacity to create.

MERGERS AND ACQUISITIONS

Mergers historically occur in periodic bursts, typically induced by economic shocks (positive or negative), such as technology, deregulation, cost of goods, political uncertainty or favour, and demand reduction. Specific drivers of mergers and acquisition are myriad and can include obvious motivations (growth, globalization, competition) as well as more obfuscated ones (hubris, opportunism, and myopia). The historic motivation to acquire has been cost savings/economies of scale.

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Organizational Culture

Organizational culture is the behavioural complex of business associations enveloping actions, words, knowledge, morals, and beliefs that are required of legitimate members to function properly. In fact, experts frequently refer to organizational culture as "social glue" or "company DNA". The ingredients comprising corporate culture are holistic, historically determined, "soft", and difficult to change. The last point is especially important; people resist change vigorously because it represents a threat to the existing culture, which defines and provides basic needs: Maslow), such as security, stability, and validation. Change can only be effected if it is emotionally compelling enough.

Case studies of mergers strongly support the claim. 'Good' mergers (e.g., Renault-Nissan or HP-Compaq) generally complete the marriage ahead of schedule upon compatibility confirmation, creating a distinct new culture from the two existing ones, with dedicated teaming and high-visibility executive sponsorship. 'Bad' mergers (e.g., Daimler–Chrysler or AOL-Time Warner) generally fail to exercise pre-merger due diligence, or accommodate people and cultures during and after transition.

Two constructs of corporate culture are intrinsically important in merger and acquisitions: 'subjective culture' (i.e., heroes, myths, and rituals), which is unique to each firm, and 'objective culture' (i.e., office décor, location, amenities, etc), which is rarely company-specific. Unfortunately, executives tend to overlook subjective culture during mergers, since validation of the transaction to Wall Street/ BSE and stakeholders concerns tangible assets.

Acquirers often create disequilibrium unintentionally by absorbing the acquired company into the mainstream culture, even though the unique culture of the target firm was integral to the initial acquisition determination. Buyers impose boundary disruptions on the target firm, forcing modifications in beliefs, actions, and procedures. This unwelcome assimilation can have a calamitous effect, leading to employee flight and ensuing loss of innovation and intellectual/social capital, resulting in lack of productivity and devaluation of the combined entity, hence defeating the purpose of the merger.

Takeovers have created economic upheaval in their communities. Workforce cuts that were intended to enhance the benefits of an acquisition have disrupted lives and caused a financial drain on local communities because of the loss of leadership and the lucrative tax base which purchased companies provided. The major ingredients are employee loyalty and commitment, pride in the company, and hard work. There was a lasting compact between employer and employee. During mergers and acquisition, a new kind of independence and personal entrepreneurship emerges that places little value on employee welfare. This attitude taps a vein of revulsion in workers and results in defects from the workforce, cynicism, low morale, and decreased productivity.

During mergers many employees felt that the ''psychological contract' they counted on throughout their career, had been broken by corporate takeovers and the human dislocation which followed it. The psychological contract provides a semblance of order and direction and is essential to the maintenance of quality and productivity in organizations. Failure to take this factor into account during the merger process results in workforce backlash and a variety of unfavourable human consequences. The problem was often compounded when the acquiring firm did not provide programs for outplacement, job-hunting assistance, and skill retraining for redundant workers.

Organizations are social institutions where many people interact and spend most of their lives. For many target companies, with the news of the takeover of their company looming over their head, a negative tone pervades the organization. The ordeal of a takeover can distract managers and leave workers disgusted and feeling betrayed. Continued speculation in the company eventually affects management's ability to retain and motivate employees.

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Tata–Corus Acquisition: Why it Should Succeed?

The Tata Group is celebrating its acquisition of the Anglo-Dutch steel firm Corus, and the catapulting of Tata Steel into world steel's big-five status (by revenue). It should. The $11 billion deal is a marker in the ground. Not that it is the biggest deal ever from an emerging market but Tata-Corus is the largest out-of-India acquisition, and is done by a private sector entity of its own volition, away from the shadow of state influence. For these reasons, it bears noticing. Reasons why Tata –Corus acquisition is likely to succeed:

- First, in Tata-Corus, the rationale was to supplement the customer-facing front-end in the developed markets, with a lower-cost back-end in an emerging market.
- Second, Tata Steel is one of the most profitable, if not the most profitable, steel companies in the world, and is acquiring from a position of strength amid a boom in the world steel market. This will buy it valuable experimenting time and learning space.
- Third, there was much difficulty in integrating—the Indians' greater command of the world's lingua franca will lubricate the inevitably-difficult integration process.
- Fourth, the Tatas have built up some experience in the past few years with cross-border acquisitions. Some of this lies within Tata Steel itself, with its acquisition in Singapore. And the rest lies in the broader ambit of the Tata group through its acquisitions of Daewoo's truck assets in South Korea, Tetley Tea in the U.K. and Ritzy hotel properties on the U.S. East Coast.
- Fifth, there is learning in the ambience. That is, India Inc. has built up, and is building up, its own cross-border acquisition capability. This arises not just from entrepreneurs who have been doing this for years like the Birlas and Asian Paints but also from more recent moves by India's pharmaceuticals, software, and auto component sectors, among others.

Cross-border experiences with integrating diverse management teams, communicating across borders and time zones, and integrating compensation practices, are not new to the Tata group.

Workers who fear a takeover or who are involved in a takeover may waste huge amounts of time in defensive and negative emotions. Many workers experienced feelings of powerlessness, loss, and sadness followed by feelings of anger, resentment, and even depression. They sometimes reported undergoing a loss of self-confidence and personal worth and began to question their ability to deal with events. Some workers responded by pushing themselves very hard to prove their value to the company, even to the point of foregoing vacations and not taking sick leave when they needed to do so. Others became dysfunctional and acted in jaundiced ways or exhibited sporadic and unpredictable attendance. Still others came to work but provided only half-hearted support and commitment. For these reasons, perceptive human resource planning is vital throughout the merger process.

Mergers and Acquisitions in India

'Corporate restructuring', in the true sense of the term, caught on in India only in the 1990s. Triggered by the liberalisation in 1991, the full impact of three key macro-economic trends spurred the aggregate level of corporate restructuring activity.

- First, the growing integration of Indian companies, across industries, with global markets and lowered tariff barriers created opportunities for growth even as it exposed the overcapacity in certain industries.
- Second, the deregulation and privatisation of various industries from the shackles of licensing and controls along with a relatively free movement of capital opened up the economy to international competition.

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- Third, the lessons learnt from the futility of developing conglomerate structures led to corporates concentrating on 'core competencies'.

Market for corporate control: The core objective of all 'corporate restructuring' is to provide the mechanism by which corporate assets are channeled to those most efficient in using them. And this is a function best performed by the 'market for corporate control'. In Corporate India, which was for long, wedded to organic growth as a strategy for asset-creation, the creation of a vibrant M and A market did not happen overnight.

SUMMARY

In this chapter, we have studied the organization, its benefits and structure. Every organization has a structural dimension and contextual dimension. Structural dimension depicts internal structure, position, etc. Contextual dimensions describe the organizational settings that influences and shapes organizations structure; personnel, material and financial resources necessary in order to develop the activity in optimum conditions.

We discussed that organizational hierarchy consists of line and staff. Line managers are responsible for execution of the task, while staff assist the line managers in their functions. We have also discussed different types of structures such as formal, informal, occupational and traditional. 'formal structure' comprises those elements in social relations which are explicit, though not necessarily embodied in written documents , and intentionally created to serve particular purposes recognized in common by the persons involved. Informal structures are relations based on congeniality or friendship. Occupational structure is the division of a labour force into categories on the basis of differences of function and skill. In addition, however, there may be values, attitudes and behaviour which are not the outcome of the existing social structure but are influenced by traditions, which become fourth main category.

We have also touched upon the mechanist and organist structures along with bureaucracy, its necessity, advantages and disadvantages. The growth of voluntary organizations and their role in modern industrial society has also been emphasized.

Thereafter the chapter has dwelled upon some of the modern concepts and techniques of organizing such as lateral organization, virtual organization, spaghetti organization, learning organizations and network organizations. Modern organizations are more lateral and are based on team operations as no one individual is depository of all the skills.

KEY TERMS

Bureaucracy
'Dysfunctional' bureaucracy
Fishnet organizations
Lateral organizations
Line and staff functions
Mergers and acquisitions
Network structure
Organization
Organizing
Privatization
Spaghetti organizations
Team organizations
Virtual organizations

REVIEW QUESTIONS

1. What are the main determinants of organizational structure?
2. What are the characteristics of a hierarchal and a lateral organization? Which do you think is better and why?
3. Write a brief note on the rational, natural and open system theory of organizations.
4. What is bureaucracy? How has Max Weber contributed to bureaucracy? Why is bureaucracy successful in large organizations?

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5. Differentiate between 'ideal' and 'real" bureaucracy.
6. What do understand by 'dysfunctional' bureaucracy? Explain with examples.
7. Define the term 'professional'. What is the role of a professional in organization? How do you think should professionals be managed in an organization?
8. What are quality circles how have they impacted the organization?
9. Write a brief note on the Japanese Corporate Model. Can the model be applied to Indian conditions?
10. Write short notes on the following:
    (a) Line and staff functions.
    (b) New organizing principles
    (c) Lateral organizations
    (d) Network structure
    (e) Team organizations
    (f) Spaghetti organizations
    (g) Fishnet organizations
    (h) Virtual organizations
    (i) Mergers and acquisitions

PROJECT WORK

Visit a nearby industrial setup and find out about industrial organization there.

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CHAPTER EIGHT 8

Social Groups in Industry

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- What is a group?
- Definition and key dimensions of a group
- Group dynamics and formal and informal groups
- Social loafing and group think
- Committees in industry
- The focus group and teams

SOCIALIZING WITHIN AN ORGANIZATION

Tarun is a medical practitioner in Metro Hospitals and Heart Institute, the largest Cardiac Care Centre at Meerut (*see Chapter 1*). He works in an organization in which there is administration, accounts, marketing and the cardiac unit. There is a structure in the organization in which each of these subparts are headed by an Officer-in-Charge. Before carrying out any cardiac surgery, there is consultation and approval accorded by the Director.

In his day-to-day functioning, Tarun has to operate within an organization which is composed of various formal and informal groups. Here a resident medical officer is answerable to Officer-in-Charge, ICU, which is the formal hierarchy of the Metro Heart Hospital and Institute. He also interacts with other Resident Medical Officers and Physicians in an informal manner. He is also a member of Indian Medical Association, which holds its own meetings. He regularly visits the Wheeler's Club for social interaction in the evening. Thus, it is clear that every individual in an organization operates and interacts with other, either formally or informally in carrying out their functions.

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Groups are a fundamental part of the social life. The significance of collectivities like families, friendship circles, and tribes and clans has long been recognized. Levin wrote, "It is not similarity or dissimilarity of individuals that constitutes a group, but interdependence of fate."[1] In other words, groups come about in a psychological sense because people realize they are "in the same boat".[2] However, even more significant than this for group process, Lewin argued, is some interdependence in the goals of group members. To get something done it is often necessary to cooperate with others. The social value of the group is important, because the group forces affect the whole organization. A group is able to share experiences, to provide feedback, to pool ideas, to generate insights, and provide an arena for analysis of experiences. The group provides a measure of support and reassurance.

Interactions involving groups can be divided into within-group and between group activities, where groups encompass organizations (formal or informal) in which individuals come together to undertake joint activities. Groups include firms (large or small), government (central or local), community and voluntary organizations, and families. Some groups operate in context of market production and exchange (firms, cartels, producer associations, unions, informal interest groups within firms etc.); other groups operate largely outside markets (families and NGOs).

In this chapter, we will touch upon the dynamics of groups and discuss how they affect industry and society and how committees operate.

PATTERNED SOCIAL BEHAVIOUR

If you visit any factory, you will find patterned relationships—supervisors supervise and carry out performance or quality checks, workers work and take a performance or quality check. Although individual workers and supervisors vary from factory to factory, or plant to plant, supervisors and workers relate in the same patterned way. It is this recurrent patterned interaction and the social structure created by this interaction that captures the attention and is referred to as patterned social behaviour.

Causes of Emergence of Groups

- Desire for socialization
- Sense of identification
- Goal achievement.
- Monotonous jobs
- Security
- Source of information.
- Reduction of monotony
- Innovation and creativity

WHAT IS A GROUP?

Some well-known definitions of group are given below:

1. A group is "two or more people who share a common definition and evaluation of themselves and behave in accordance with such a definition".[3]
2. A group is "a collection of people who interact with one another, accept rights and obligations as members and who share a common identity".
3. A group is a collection of individuals who come together to undertake joint activities.[4]
4. According to Donelson R. Forsyth: "A group is defined as two or more individuals who are connected to one another by social relationships."[5]
5. "We mean by a group a number of persons who communicate with one another often over a span of time, and who are few enough so

Criteria for a Group

- Formal social structure
- Face-to-face interaction
- Two or more persons
- Common fate
- Common goals
- Interdependence
- Self-definition as group members
- Recognition by others

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that each person is able to communicate with all the others, not at a second-hand level through other people, but face-to-face," George Homans.[6]

In part, differences in definition occur because writers often select those things that are of special importance to their work and then posit these as the 'criteria for group existence'.[7] Owing to this, it is possible, as Jarlath F. Benson has done, to identify a list of attributes:

- A set of people engage in frequent interactions.
- They identify with one another.
- They are defined by others as a group.
- They share beliefs, values, and norms about areas of common interest.
- They define themselves as a group.
- They come together to work on common tasks and for agreed purposes.[8]

From this, she suggests that groups are intended and organic. They are not some random experience and, as a result, they have three crucial characteristics:

- There are parts.
- There is relationship between the parts.
- There is an organizing principle (op. cit.).

According to David Horton Smith, "A group is the largest set of two or more individuals who are jointly characterized by a network of relevant communications, a shared sense of collective identity and one or more shared dispositions with associated normative strength." In other words, a group is collection of two or more people who have common goals or interests and interact with each other to accomplish their objectives; are aware of one and another and perceive themselves to be part of the group.

This definition stresses that a group is composed of (i) interaction, (ii) size, (iii) shared goals/interests, and (iv) collective identity.

FUNCTIONS OF A GROUP

Groups fulfil organizational and individual functions (see Table 8.1).

TABLE 8.1 Functions of a Group

Organizational	*Individual*
Accomplish complex, interdependent tasks that are beyond the capabilities of an individual.	Satisfy the individuals need for affiliation.
Generate new or creative ideas and solutions.	Develop, enhance, and confirm the individual's self-esteem and sense of identity.
Coordinate inter-departmental efforts.	Give individuals an opportunity to test and share their perceptions of social reality.
Provide problem solving mechanism for the complex problems requiring varied information and assessments.	Reduce the individual's anxieties and feelings of insecurity and powerlessness.
Implement complex decisions.	Provide problem-solving mechanism for personal and inter personal problems.
Socialize and train newcomers.	

Source: Adapted from Schein, E.H. (1980), *Organizational Psychology,* 3rd ed., Englewood Cliffs, NJ: Prentice Hall, pp. 149–151.

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Group Behaviour versus Individual Behaviour

Emil Durkheim (1965, originally published in 1895)[9] argued that we do not attempt to explain bronze in terms of its component parts like lead, copper, and tin. Instead, we consider bronze as an alloy, a unique metal produced by the synthesis of several distinct metals. Even the consistency of metal is not predictable from its components; bronze is hard, whereas lead, copper and tin are soft and malleable. Durkheim reasoned that if a combination of certain metals produces a unique metal, some similar process might happen in groups of people. Indeed, people's behaviour within a group setting cannot be predicted from the characteristics of individual group members. Something new is created when individuals come together.

GROUP DEVELOPMENT

Groups and teams in the workplace go through a maturation process, such as one would find in any life cycle situation (e.g., humans, organizations, products). The most influential model of the developmental process—certainly in terms of its impact upon texts aimed at practitioners—has been that of Bruce W. Tuckman (1965).[10] While there are various differences concerning the number of stages and their names, many have adopted a version of Tuckman's model, forming, storming, norming and performing. (Figure 8.1).

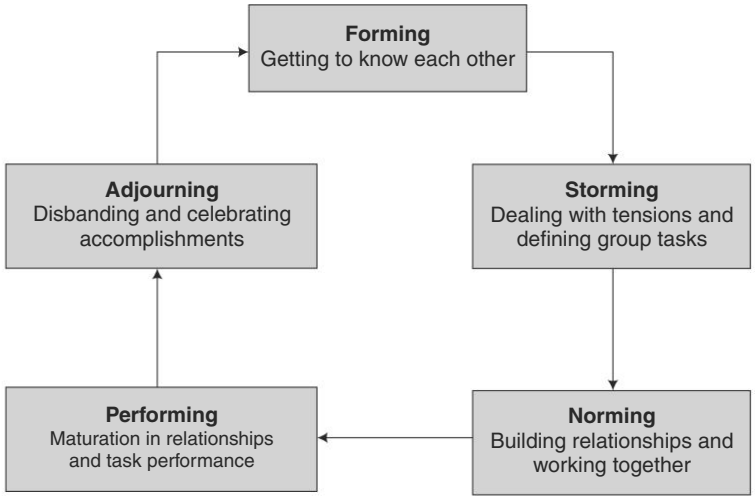

FIGURE 8.1 Five stages of group development

Advantages and Disadvantages of Groups

The advantages of groups are as follows:

- Significant sites of socialization and education enabling people to develop a sense of identity and belonging, and to deepen knowledge, skills, and values and attitudes.
- Places where relationships can form and grow, and where people can find help and support.
- Settings where wisdom flourishes. As James Suriwiecki has argued, it is often the case that "the many are smarter than the few".[11]

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Impression Management

Goffman, Harré and others claim that 'impression management' is absolutely central to the understanding of social interaction, more than traits such as personality and intelligence. According to these writers, social life is fundamentally characterized by our being constantly engaged in impression-management and constantly checking the effectiveness of our own 'fronts' and the validity of other people's. Are you conscious of you constructing and reconstructing yourself according to who you feel you need to be in order to be socially effective? How much does your front vary? Are you conscious of your own social performance when interacting with others? Are you conscious of others monitoring other people's 'fronts'? If so, what cues do you use to establish the validity of someone else's fronts?

Owing to the high degree of conformity within a group, similarities in social behaviour exist despite extensive differences among individual members. However, there is a downside to all this. The socialization they offer might be highly constraining and oppressive for some of their members. The boundaries drawn around groups are part of a process of excluding certain people (sometimes to their detriment) and creating inter-group conflict.

KEY DIMENSIONS OF A GROUP

The forces impacting group processes and dynamics are:

- Group interaction
- Group interdependence
- Group structure
- Group goals
- Group cohesion (and entitativity)

Group Interaction

In modern society, intra-group activities greatly exceed inter-group activities. Intra-group activity accounts for a major proportion of economic activity. Intra-firm transactions of multinational corporations account for as much as a quarter of manufacturing trade, while many major corporations have alliances with others, substantially extending the sphere of influence of a group as a whole. Bales[12] looked at categorizing social interactions in terms of the ways in which they appear to impact on group process, and in particular the extent to which they looked to 'getting on with the job' or 'having regard for others.'[13] This distinction has turned out to be one of the most enduring features of much that has been written about group work

- Task interaction can be seen as including 'all group behaviour that is focused principally on the group's work, projects, plans and goals'.[14]
- Relationship interaction (or socio-emotional interaction) is centered on the social and interpersonal aspects of group life.

Social Interdependence vs Social Dependence

In all this, it is also helpful to take up a distinction formulated by Morton Deutsch (1949) (one of Lewin's graduate students) when looking at cooperation and competition in groups. He contrasted social interdependence, which exists when people share common goals and each person's outcomes are affected by the actions of others, with social dependence where the 'outcomes of one person are affected by the actions of a second person but not vice versa' (Johnson and Johnson 2003, p. 94).

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Group Interdependence

Group members depend upon each other. Robert S Baron et al.[15] have argued: "It is a basic feature of groups that group members' outcomes often depend not only on their own actions, but also on the actions of others in the group. One member's feelings, experiences and actions can come to be influenced in whole, or in part, by others."

Group Structure

Most commentators on group process and group dynamics discuss group structure, but, just what they include under this heading differs. Here we are going to follow Forsyth[16] and define group structure as the "norms, roles and stable patterns of relationship among the members of the group".

Group Size

An obvious but crucial consideration is the size of the group as size impacts group communication. Large groups function differently in a number of important respects to smaller groups. In smaller groups, a higher proportion of people are likely to participate as there is potential for more time for each, and the smaller number of people involved means that speaking may not be as anxiety-making as in a large group. Larger groups allow members a sense of being anonymous. "As a result, we may exhibit less social responsibility…which in turn, will often lead to less task involvement and lower morale on the part of many group members as size increases."[17] Large groups are more likely to include people with a range of skills and this can allow for more specialization of labour.

Group Norms

Norms are basically rules of conduct that indicate what attitudes and behaviour might be expected or demanded in particular social situations and contexts. They are shared expectations of behaviour that set up what is desirable and appropriate in a particular setting or group. Socially established "and shared beliefs regarding

Pressure Towards Conformity: How Would You Respond?

In 1951, social psychologist Solomon Asch devised an experiment to examine the extent to which pressure from other people could affect one's perceptions. In total, about one-third of the subjects who were placed in this situation went along with the clearly erroneous majority. He found people conform for two main reasons: because they want to be liked by the group and because they believe the group is better informed than they are. Suppose you go to a fancy dinner party and notice to your dismay that there are four forks beside your plate. When the first course arrives, you are not sure which fork to use. If you are like most people, you look around and use the fork everyone else is using. You do this because you want to be accepted by the group and because you assume the others know more about table etiquette than you do.

Asch found that one of the situational factors that influence conformity is the size of the opposing majority. In a series of studies, he varied the number of confederates who gave incorrect answers from 1 to 15. He found that the subjects conformed to a group of 3 or 4 as readily as they did to a larger group. However, the subjects conformed much less if they had an "ally". In some of his experiments, Asch instructed one of the confederates to give correct answers. In the presence of this nonconformist, the real subjects conformed only one-fourth as much as they did in the original experiment. There were several reasons: First, the real subject observed that the majority did not ridicule the dissenter for his answers. Second, the dissenter's answers made the subject more certain that the majority was wrong. Third, the real subject now experienced social pressure from the dissenter as well as from the majority. Many of the real subjects later reported that they wanted to be like their nonconformist partner (the similarity principle again). Apparently, it is difficult to be a minority of one but not so difficult to be part of a minority of two.

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what is normal, correct, true, moral and good generally have powerful effects on the thoughts and actions of group members".[18] Group norms develop in groups because they are necessary for the group to survive and/or to achieve its ends. Baron et al.[19] have commented: "Norms provide codes of behaviour that render social life more predictable and efficient."

Roles The bundle of expectations and attributes linked to a social position can be seen as a role. Different people play different roles—sometimes these are assigned (such as in the membership of committees), sometimes they emerge through interaction. As Johnson and Johnson[20] have put it, "Roles define the formal structure of the group and differentiate one position from another." Crucially, different social roles are often linked to different degrees of status and power within the group.

Group Goals

Alvin Zander[21] has shown that the form a group takes is often heavily dependent on its purpose. Group goals are ideals—they are the ends (the aims or the outcomes) sought by the group and its members. They entail some sort of joint vision.[22] Without some commitment to the pursuit of common goals, the group will not survive or be effective.[23] Of great significance then is what might be called goal structure. Here, a key distinction is between cooperative and competitive goal structures:

> "A co-operative goal structure develops when the individual goals of members are visible and similar… A competitive goal structure emerges where the individual goals of members are hidden or seen as different or opposed."[24]

Group Cohesion

The notion of group cohesion—the forces or bonds that bind individuals to the collectivity—is fundamental to appreciation of groups. In some groups, the power of the bonds, the feelings that group members have for each other and the extent to which they are prepared to cooperate to achieve their goals will be slight. In others, these may be seen as strong. Forsyth[25] makes the point that "groups are not merely sets of aggregated, independent individuals; instead they are unified social entities. Groups cannot be reduced down to the level of the individual without losing information about the group unit, as a whole."

'Group entitativity' is the degree to which something appears to be a unified entity; this is 'groupness' of the people you might be observing in a particular situation.[26]

CONFORMITY

We live in groups ranging in size from a family to an entire society, and they all encourage conformity. Often, conformity is promoted by social forces that individuals do not create and cannot control. Because of this, people who belong to similar group tend to think, feel and behave in same way. Chinese, Russians, Nigerian citizens have distinctive eating habits, types of dresses and attitudes towards family, etc. Similarly, in India, teenagers listen to same music and dress alike.

Why do People Conform?

Conformity occurs because most of members believe that the group's ways are the best; over a period of association, they have been taught to value the groups' way. Some members tend to comply against their personal wishes, as they yield to social pressures of the moment, the behaviour of a group cannot be predicted simply from knowledge about the individual members.

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Group 'Entitativity' or 'Groupness'

Donald T. Campbell (1958) first used the term 'entitativity'. He argued that when groups become real they possess the characteristics of entities (Forsyth 2006: 15). Campbell based his analysis on explorations into how the mind works when deciding when something is to be approached as a whole (a gestalt or something that cannot be described as the sum of its parts) or 'a random collection of unrelated elements' (Forsyth 2006: 15). When looking at people together in particular places (what he calls the 'aggregate'), Campbell concluded that we depend on three main cues to make judgments' about 'entitativity':

- *Common fate* The extent to which individuals in the 'aggregate' seem to experience the same, or interrelated outcomes
- *Similarity* The extent to which the individuals display the same behaviours or resemble one another.
- *Proximity* The distance among individuals in the 'aggregate' (or group). (Described in Forsyth 2006: 15).

GROUP DYNAMICS

In formal groups, the behaviour that one should engage is stipulated by, and directed towards, organizational goals. Informal groups, on the other hand, are formed by the individuals of the group rather than by the management. However, two sets of categories have retained their usefulness for both, practitioners and researchers. They involve the distinctions between:

- Primary and secondary (nucleated) groups
- Planned and emergent groups

Primary and Secondary Groups

Charles Horton Cooley (1909) established the distinction between 'primary groups' and 'nucleated groups' (now better known as secondary groups (see Table 8.2).

'Primary groups' are clusters of people, like families or close friendship circles, where there is close, face-to-face and intimate interaction. There is also a high level of interdependence between members. Primary groups are also the key means of socialization in society, the main place where attitudes, values and orientations are developed and sustained.

'Secondary groups are those in which members are rarely, if ever, all in direct contact. They are often large and usually formally organized. Trades unions and membership organizations such as the National Trust are examples of these. They are an important place for socialization, but secondary to primary groups.

TABLE 8.2 Comparative Characteristics of Primary and Secondary Groups

Type of Group	*Characteristics*	*Examples*
Primary groups	Small, long-term groups characterized by face-to-face interaction and high levels of cohesiveness, solidarity, and member identification	Families, close friends, tight-knit peer groups, gangs, elite military squads
Secondary groups	Larger, less intimate, more goal-focused groups typical of more complex societies	Congregations, work groups, unions, professional associations

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Special Operations

The Indian Army's elite training programmes offer a model for the strategic deployment of human capital and for building effective teams. The whole nation saw a rare spectacle on TV on 26 November, 2008. Mumbai, the financial capital, was under siege. But what the public does not know that the people who brought an end to the siege belonged to the Special Forces. The Indian Army has the Special Force, Special Action Groups, Special Group of the SFF; the Navy has Marcos, and Air Force, its own groups. The term 'Special Forces' refers to a wide variety of specialized forces in all three of defence services. The extraordinary success with least collateral damage is attributed to their ability to bear intense firepower in small mobile units.

Post-26/11, the Indian Military Forces' special operations have been in the limelight. For many observers, there is something inspiring and even mysterious about these highly trained teams of men (like all frontline Indian combat troops, they are all male) who are motivated to achieve their mission at any cost.

In business, we talk about being willing to 'walk through the walls' to achieve our goals, but Indian Army units and especially the Special Forces teams actually do that.

So what's special about these special operations? Can professionals in industry learn something from them besides the obvious truisms about the importance of focus and discipline? In fact, the effectiveness of the special operations forces is rooted in a carefully-designed and comprehensive system of recruiting, training, infrastructure support, leadership and organizational culture.

Can industry/services emulate these techniques in the same consistent manner? They can, although one must acknowledge the significant differences between the civil sector and the military. For example, in defence forces or military, you make a long-term commitment (often three to six years minimum in special operations) and cannot quit because you find a better job. You have legal requirements to follow the orders of your superior officers. Service members are also, explicitly or implicitly, willing to risk their lives to defend their country.

So what can industry learn from special operations practices and imbibe/ adapt them in the corporate world? The lessons that follow are based primarily on the author's experience and the studies of the Special Forces groups of the three services.

Elite Magnetism

There are approximately 10,000 Special Forces' servicemen in a force of 11 lakh or 1.1 million standing Indian Armed Forces. The elite status is a magnetic draw for young men who want to prove themselves among the best. In early seventies, posting as an instructor in commandos was considered to be an honour. The average education level of special operations recruits is above that of normal recruits, and it is not uncommon to find personnel with advanced degrees. The exclusive brand of Special Forces draws many recruits at the front end, where high percentage are turned down before even being given a chance for training.

This selectivity has another positive effect: It is a well-researched and documented fact that the steeper the hurdle to get accepted into a group, the more loyalty and commitment you have to it once you're in. This certainly motivates employees at Infosys and HDFC, where the prospective status, pay and influence that go along with being a partner, propel them to work long hours and develop extraordinary loyalty to the organization, if and when they do reach the elite inner circle.

Total Training

The training that the Special Forces personnel go through is key to their success in real missions. Their training is in-depth, realistic, and repetitive, and it is run by the most experienced Special Forces personnel – not classroom schooled educators. This type of training leads to 'total immersion'. If you add up the different phases of training, the Special Forces personnel have to go through, including specialized courses such as high altitude free fall parachuting and advanced training in units, it takes up to three to four years at a minimum to produce a fully developed operator. Important aspects of Special Force training involves:

(a) *Winnowing:* The Special Forces training is designed to eliminate all but the most determined and qualified individuals. Hundred highly motivated individuals may start the Marco's programme of the Navy and usually only 20 to 25 may just pass the first phase—this ratio is typical of other services also.

The Navy or the Services do not stigmatize those personnel who fail to make the grade, but deploy them back with their parent unit. Many trainees are eliminated during the initial selection but others continue to be eliminated as training progresses; there is a continuous process of culling. This process of winnowing can be seen as never-ending.

(b) *Practice, Practice and Practice:* The second characteristic of training is that it embodies the concept of deliberate practice. This entails isolating the specific elements of performance that will enable you to excel at an activity, repeating them over and over again, and getting objective feedback. A great

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deal of research supports the notion that intensive, deliberate practice—not innate talent—is the secret of exceptional performance. Rehearsals are carried out before operations.

(c) *Realism:* Special Forces training is characterized by extreme realism. For simulated mission, men are kept awake for two or three nights in a row, subjected to life-like explosions and bullet fire. However, this is not a widespread practice in corporate sector.

(d) *Constant Feedback:* A key feature of Special Forces training is constant feedback about performance. Nearly all activities are graded by experienced instructors, and exercises have an 'after action' review that bluntly analyses what went well and what could have been improved.

(e) *Physical and Mental Stress:* It is the most common feature of Special Force Operations training programmes. It simulates actual combat conditions; they expand the trainees' comfort zone and provide a benchmark experience that makes subsequent hardships more manageable. It also creates a powerful (albeit painful) shared experience that is an indelible part of the culture of special operations. (Most of the cadets who have passed out of National Defence Academy will vouch that rolling around periphery during Academy fall-ins creates a powerful shared experience that is indelible mark of NDA Culture.)

Buddy System

The corporate world talks of team work, but in the Special Forces, teamwork is truly rooted to the culture. There is clear-cut approach that if the team does well, all are rewarded; if a single individual makes the mistake the entire team is punished. Activities in the Special Forces are designed to promote team work; speed marches, sharing to survive are all powerful team-building activity. Here, teamwork is matter of life and death.

Officers and men go through qualifications programmes together and being able to pull your weight and understand the combat experience is more important than rank. Respect for one and another is more rooted in capabilities than ranks.

Lessons for the corporate world: The corporate world may not need such a team but some of things that can help are:

(a) Creating an environment to attract large number of recruits at the front end of the system. There is a need to create and organizations can create a highly desirable 'employment brand'. HDFC, Infosys, Procter & Gamble have already achieved it.

(b) *Reinventing Training:* Corporate training needs to become more realistic and sustained. There is a need to carry out rehearsals to ensure that they excel and are able to face contingencies.

(c) *Mental and Physical Stress:* GE in the United States, HUL and Infosys in India are legendary hotbed of intense learning experience that forms part of the shared culture of many of their employees. Japanese companies have traditionally put new recruits through multi-training and indoctrination programmes. These experiences don't approach the brutality of the Special Forces, but these often require late nights or weekends spent with colleagues working to solve common problems.

(d) *Developing a 'Buddy Culture'/ 'All for One Culture':* In the private sector and in government, the stakes are never really this high and never will be as that in Special Forces. However, the real problem is that corporate leaders and politicians in India talk of team culture, but don't actually make the investments and changes needed to develop one.

(e) *Creating special operations teams:* Some engineering, manufacturing and high technology firms use a similar team concept; it can be applied universally.

The secret of special operations forces is, in essence, the strategic development of human capital. If companies want to leverage these lessons, they must commit to longer term investment in their people then is the norm today.

Planned and Emergent Groups

Besides primary and secondary, groups tend to fall into one of two broad categories (Table 8.3)—planned and emergent groups. Forsyth[27] stated: "People found planned groups but they often find emergent groups." Sometimes, writers use the terms 'formal' groups and 'natural or informal groups' to describe the same broad distinction—but the term 'natural' is rather misleading. The development of natural groups might well involve some intention on the part of the actors.

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Planned groups These are specifically formed for some purpose either by their members, or by some external individual, group or organization.

Emergent groups These come into being relatively spontaneously where people find themselves together in the same place, or where the same collection of people gradually comes to know each other through conversation and interaction over a period of time.[28]

More recently, the distinction between planned/formal and emergent/informal groups has been further developed by asking whether the group is formed by internal or external forces. Arrow et al.[29] have split planned groups into 'concocted' (planned by people and organizations outside the group) and 'founded' (planned by a person or people who are in the group). They also divided emergent groups into 'circumstantial' (unplanned and often temporary groups that develop when external forces bring people together e.g., people in a bus queue) and 'self-organizing' (where people gradually cooperate and engage with each other around some task or interest).

TABLE 8.3 Planned and Emergent Groups

Type of Group	*Characteristics*	*Example*
Planned groups	Deliberately formed by the members themselves or by an external authority, usually for some specific purpose or purposes.	
Concocted	Planned by individuals or authorities outside the group.	Production lines, military units, task forces, crews, professional sports teams.
Founded	Planned by one or more individuals who remain within the group.	Study groups, small businesses, expeditions, clubs, associations.
Emergent Groups	Groups that form spontaneously as individuals find themselves repeatedly interacting with the same subset of individuals over time and settings.	
Circumstantial	Emergent, unplanned groups that arise when external, situational forces set the stage for people to join together, often only temporarily, in a unified group	Waiting lines (queues), crowds, mobs, audiences, bystanders.
Self-organizing	Emerge when interacting individuals gradually align their activities in a cooperative system of interdependence.	Study groups, friendship cliques in a workplace, regular patrons at a bar.

Politics of the Shop Floor

Burawoy's (1979) empirical study of the politics of the shop floor provides an insider account of skilled manual work. He observed that workers often work hard, often at frantic pace and exceed the production targets by wide margins. Burawoy interpreted the shop floor behaviour as a set of games, the overall game being that of 'making out'. He writes:

"The shop floor culture revolves around making out. Each worker sooner or later is sucked into this distinctive set of activities and language … In my own case, it took me some time to understand the shop language, let alone the intricacies of making out. It was a matter of three or four months before I began to make out by using number of angles and by transferring time from one operation to another. Once I knew I had a chance to make out, the rewards of participating in a game, in which the rewards were uncertain, absorbed my attention, and I found myself spontaneously cooperating with management in the production of greater surplus." (Burawoy, 1979, p. 64)

The absorption of workers in the culture, and the sense of status and identity that came with being an experienced operator, resulted in building of a type of workplace consent.

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PLANNED (FORMAL) GROUPS

Organizations, to accomplish goals and serve their needs, deliberately create formal groups. The major purpose of formal groups is to perform specific tasks and achieve specific objectives defined by the organization. The most common type of formal work group consists of individuals cooperating under the direction of a leader. Examples of formal groups are departments, divisions, taskforce, project groups, quality circles, committees, and boards of directors. One type of formal group is referred to as a 'command group' (i.e., those who can legitimately give orders to others). Formal organizational groups also may be formed around some specific task. Such a group is referred to as a task group. Unlike command groups, a task group may be composed of individuals with some special interest or expertise in a specific area regardless of their positions in the organizational hierarchy.

Formal groups include the Board of Directors, members of the management teams, specific committees or working groups who meet on regular basis to plan future.

EMERGENT (INFORMAL) GROUPS

Managers and supervisors frequently face such a dilemma--standards that should be met but aren't for what seems like no apparent reason. What managers/supervisors sometimes fail to realize is that within every organization there are often informal group pressures that influence and regulate individual behaviour.

Informal groups formulate an implicit code of ethics or an unspoken set of standards establishing acceptable behaviour.

Dynamics of Informal Groups

Informal groups almost always arise if opportunities exist. Often, these groups serve a counter organizational function, attempting to counteract the coercive tendencies in an organization.

Informal groups' role is not limited to resistance. The impact of the informal group upon the larger formal group depends on the norms that the informal group sets. So the informal group can make the formal organization more effective, too. For example, if the informal group in a shop has set a norm supporting

Sayles' Classification of Groups

Sayles has classified small groups as follows:

(a) **Apathetic Groups:** These groups are composed of relatively low-paid and low-skilled assembly line workers who lack unity and power and are usually discontent.

(b) **Erratic Groups:** These groups are composed of semi-skilled workers who work together in groups performing jobs that require interaction. They display considerable unity, are erratic in their relations with the management and are generally unpredictable.

(c) **Strategic Groups:** These groups are composed of skilled employees whose jobs require judgment. Their jobs are not independent and are considered to be key jobs in the plant. Members of strategic groups are usually productive, exhibit high skill levels and display high degree of unity.

(d) **Conservative Groups:** These groups are composed of highly-skilled workers in the plant. They are found at the top levels of the organization and display considerable self-confidence. They work on their own and the nature of their jobs is such they can shut down plant if they so desire.

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high output, that norm would be more potent than any attempt by a supervisor to coerce compliance with the standard. The reason is simple, yet profound. The norm is of the group members own making, and is not one imposed upon them. There is a big motivational difference between being told what to do and being anxious to do it.

Informal groups can be either a supervisor's best friend or worst enemy. The management should be sensitive to the informal groups and should cultivate their goodwill and cooperation and make use of the informal group leadership.

That is, leadership of the informal group should be wooed and the support enlisted of its membership to achieve the formal organization's aims. Harnessing the power of informal groups is no easy task. The requirements include: an understanding of group dynamics and, an ability to bring about changes in informal group norms that positively reinforce the formal organization's goals.

Formation of Informal Work Groups

Functions Performed by Informal Groups

1. Sense of belonging
2. Identity and self esteem
3. Stress reduction
4. 'All for one, one for all'

Individuals are employed by an organization to perform specific functions. Although the whole person joins an organization, attention is usually focused on the partial person, the part of the individual doing the job. Because people have needs that extend beyond the work itself, informal groups develop to fill certain emotional, social, and psychological needs.

The degree to which a group satisfies its member's needs determines the limits within which individual members of the group will allow their behaviour to be controlled by the group.

Leadership of Informal Work Groups

One attribute of informal groups is rotational leadership. The informal leader emerges as the individual possessing qualities that the other members perceive as critical to the satisfaction of their specific needs at the moment; as the needs change so does the leader. Only rarely does a single individual possess all of the

In-groups and Out-groups and 'Members-Only' Club

A key characteristic of city clubs and other clubs is that each organization has formal group boundaries. And people become members either by invitation only or by being voted in after being nominated by current members. An individual cannot simply decide to join a club or an organization. For this reason, any individual who is invited to become a member feels special (like 'insiders') because the individual realizes that membership is not open and available to everyone. Club members develop a 'consciousness of kind', a term used by sociologist to describe the awareness that individuals may have when they believe that they share important commonalities with certain other people. Consciousness of kind is strengthened by membership in clubs ranging from clubs, Mason Society, college fraternities, etc. Members of in-groups share strong feelings of consciousness of kind and believe that they have little in common with people of out-groups.

Kendall (2008) in his study has shown that in private clubs and college associations the 'in-group' and 'out-group' are highly relevant and are very important to an individual. The in-group provides us with a unique sense of identity but it also helps us exclude those individuals whom we do not want to meet or form part of our inner circle.

The exclusive clubs do not welcome outsiders within their walls, and members are often pledged to loyalty and secrecy about their club's activities (Masonic Society makes it members go through a ritual to pledge secrecy).

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leadership characteristics needed to fill the various needs of the group. If the informal leader fails to meet the group's expectations, he/she is deposed and replaced by another.

Informal Work Group Communication (The Grapevine)

The informal group has communications processes that are smoother and less cumbersome than those of the formal organization. Its procedures are easily changed to meet the communication needs of the group. In an informal group, a person who possesses information vital to the group's functioning or well-being is frequently afforded leadership status by its members. Also, the centrally located person in the group is in the best position to facilitate the smooth flow of information among group members.

The 'grapevine'" or 'rumour' is the major informal communication medium in an organization. As the name suggests, the grapevine is entwined throughout the organization with branches going in all directions. Rumours are often a rapid form of communication. The dictionary gives us a definition for the grapevine which says it is "the informal transmission of information, gossip or rumour from person to person." Since it is unstructured and not under complete control of management, it moves through the organization in every direction. "It moves upwards, downward, and diagonally, within and without chains of command, between workers and managers, and even with and without a company."[30]

The grapevine has three main characteristics. First, it is not controlled by management. Second, it is perceived by most employees as being more believable and reliable than formal communiqués issued by top management; and third, it is largely used to serve the self-interests of the people within it.

The grapevine reveals issues and problems being discussed by the employees; the effect of policies and procedures upon which the employees can be measured. It is a release mechanism for stress. Bottled-up feelings have been proven to have negative side effects for individuals and the grapevine helps to ease this type of situation. Because of the speedy transfer of information, the grapevine enables individuals to prepare for and think through management's goal changes and goal adjustment in advance of any formal statements. This increases the contributions of employees. The grapevine also helps employees to remain efficient by quickly spreading the news of disciplinary action.

Keith Davis discovered in his study that organizational grapevine is an expression of healthy human motivation to communicate: "In fact, if employees are so uninterested in their work that they do not engage in shoptalk about it, they are probably maladjusted." Simmons (1985, 1986)[31] states: "The network helps employees make sense of the world around them and consequently provides a release from emotional stress and all informal information is undocumented."

Allport and Postman's[32] indicated that "most rumors start as a report of an actual episode—that is to say, with someone's perceptual experience of an event, which he deems of sufficient interest and importance to communicate to others." Once this central theme, the actual episode, has been accepted, there is a tendency to distort subsequent news or events in order to make them consistent with the central theme. However, Keith Davis reports "that in normal business situations between 75 per cent and 95 per cent of grapevine information is correct."

Informal Group Cohesiveness

Group cohesiveness is defined as "the total field of forces which act on members to remain in the group",[33] or "the resultant of all the forces acting on the members to remain in the group".[34]

Festinger and his colleagues proposed that cohesion depends on the attractiveness of the group. They presumed that the forces of group attractiveness resulting in cohesion came from three sources:

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Forces that Bring Cohesion in a Group

Degree of Dependency on the Group The more highly dependent a person is on the group for his need satisfaction, the greater will be the group attractiveness and consequently greater is its cohesiveness.

Size of the Group The larger the group size, the lesser the cohesiveness, due to problems of interaction among members of the groups, lack of appreciation of each other's problem. It is one of the reasons why informal group are smaller in size.

Homogeneity and Stable Membership Groups whose members have diverse interests and different and also affects group cohesiveness.

Inter and Intra Group Competition Competition among groups (inter-group) and competition among members of the groups (intra-group) have different effects on group get united and the group sets solidified. The solidarity continues among members of the winning group whereas the losing group gets weakened. The picture is different when competition is among the members within the group. If the rivalry is healthy, members stand to gain. But, generally, intra-group rivalry among members takes the form of jealousy that results in the weakening to group cohesiveness. There may be three possible causes of intra group competition:

- When members or sub-groups within the group adopt different methods to accomplish the same goal
- When there are differences regarding the goal or goals of the group among members
- When goals of individual members clash with group goals.

Outside Pressure When there is outside pressure or threat to group survival, group members sink all their differences and join hands together to meet the challenges to the group. Outside pressure or threat is a cementing force and increase group cohesiveness.

Customs and Traditions If members share the same customs and traditions, they become familiar with one another in no time and also benefit from one another's knowledge and experience. This commonness prevents the entry of any other person who does not follow the same traditions. This develops a feeling among members that they are distinct from others. This increases interpersonal relationships among members.

Location People who work at the same geographical location tend to be close to one another and have numerous opportunities to interact and exchange ideas, resulting in cohesiveness of the group.

(a) The prestige of the group,
(b) The members, and
(c) Their activities.[35]

The prestige attached to belonging to the group could be seen as related to the concept of social identity.[36] The liking of group members (e.g., peers and leaders) can be argued to be a major component of the social-emotional side of cohesion,[37] and the "possibility of getting a reward for performance in the group activity,"[38] may bear on task cohesion and attainment of group goals. Perhaps paradoxically the most dangerous time for group cohesion is when things are going well. Supervisors can use the factors that affect group cohesiveness to increase their own effectiveness.

Decision-making Process in Informal Groups

Edgar Schein observes that groups may make decisions through any of the following six methods: lack of response, authority rule, minority rule, majority rule, consensus, or unanimity.

Good groups don't limit themselves to just one decision-making method; instead they change decision methods to best fit the problem and situation at hand. The advantages of group decision making include (Schein);

(a) Information, more knowledge and expertise is utilized to solve the problem.
(b) Alternatives–greater number of alternatives is examined.

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(c) Understanding and acceptance–final decision is better understood and accepted by all in group.
(d) Commitment–there is greater commitment to make the final decision work.

We also know that there are potential disadvantages in group decision making.

(a) Individuals face social pressure to conform to the apparent wishes of the group.
(b) Minority Domination—in groups, decision may be forced by one individual or a small coalition.
(c) With more people involved in the process of decision-making, it may take longer than individual decisions.

Informal Group Norms or Values (Unspoken Rues)

Norms are rules of behaviour or proper ways of action which are accepted by group members. Norms keep a group functioning as a system instead of a collection of individuals. It is the most powerful factor influencing productivity and overall performance. Norms serve three functions in a group: predictive, control and rational. Predictive norms provide for the basis of understanding the behaviour of others and deciding one's own behaviour. Control norms regulate the behaviour of members. When a member violates the norm, other members exercise sanctions that range from casual remarks to physical abuse. Relational norms define relationships among roles.

According to Hackman (1986),[39] group norms have five characteristics:

(a) Norms summarize and simplify group influence processes.
(b) Norms are generally developed only for behaviours which are considered important by most group members.
(c) Norms apply only to behaviour, and not to private beliefs and feelings.
(d) Norms usually develop gradually.
(e) Not all norms are applicable to everyone in the group in the same manner.

Litterer[40] has suggested four steps for enforcement of norms viz. education, surveillance, warning and sanction.

Two points are important to note about the norms of informal groups. First, where both formal and informal norms exist, the informal norms transcend the formal. At moments when norms conflict with organizational objectives, organizational effectiveness suffers. Second, members of an informal group may be unaware that the norms of the group influence their behaviour. Norms are particularly potent because without knowing these, members would not even think of acting otherwise—norms are that ingrained into their behaviour pattern.

In an organization, informal groups with informal leaders and informal group norms are often the real determinants of workgroup performance. Thus, organizations are more productive when informal and formal structures are aligned.

Table 8.4 shows distinction between formal and informal groups.

Norms

"A norm is an attitude, opinion, feeling, or action shared by two or more people that guides their behaviour."

How are norms developed?

- Explicit statements by supervisors or co-workers
- Critical events and group's history
- Primacy
- Carryover behaviour from past situations

Why are Norms enforced?

- Help groups or organizations to survive
- Clarify or simplify behavioural expectations
- Help individuals avoid embarrassing situations
- Clarify the groups' or organizations' central values and/or unique identity

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TABLE 8.4 Distinction between Formal and Informal Groups

Point of Distinction	*Formal*	*Informal*
Formation	Formal and deliberate	Natural and spontaneous
Purpose	Achievement of predetermined goals	Satisfying social and personal needs
Leadership	Backed by formal authority	Based on competence, personality, abilities and acceptance by group
Relationship	Strictly based on rationality, legality and contract	Social and emotional relationship
Size	Invariably large	Tend to be smaller
Communication	Through chain of command	Personal and social relationship
Stability	Well structured	Loosely structured

SOCIAL LOAFING

'Social loafing' is defined as the tendency for individual effort to decline as group size increases. Social loafing generally takes place when the individual perceives a task to be unimportant, or not interesting; or an individual's output is unidentifiable. Social loafing does not occur when group members expect to be evaluated. It has also been seen that self reliant 'individualists' are more prone to social loafing than 'collectivists'.

GROUP THINK

An important potential problem in group decision making, identified by social psychologist Irving Janis[41], is 'groupthink' or the tendency of members in highly cohesive groups to lose their critical evaluative capabilities. Janis believes that because highly cohesive groups demand conformity, their members tend to become unwilling to criticize one another's ideas and suggestions. Group think is an extreme form of consensus in which the group thinks as unit rather than as collection of individuals. It is a kind of consensus-seeking process that goes on in a cohesive group. When a group is too cohesive, new ideas may be rejected too quickly. Members are imbued with the feelings of 'we know best'. Irving Janis used the 'group think' to describe the unfortunate situation in which the desire to agree becomes so dominant in cohesive group that it tends to override realistic appraisal of an alternate course of action. Members try to avoid being harsh in their judgments of one and another's ideas.

COMMITTEES IN INDUSTRY

According to Newman, "A committee consists of a group of people specially designed to perform some administrative acts." Terry defines committee as "a body of persons elected or appointed to meet on an organizational basis for the discussion and dealing of matters brought before it".

Types of Committee

In a business organization generally four types of committees are established.

1. Advisory Committee
2. Executive Committee
3. Joint Consultative Committee
4. Special Purpose Committee

Functions of a Committee

A committee may have either line or staff functions, depending upon its authority. If its authority involves decision-making affecting subordinates it

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is responsible for, it is 'plural executive' or a line committee that also carries out managerial functions, such as the board of directors. If its authority relationship to a superior is advisory, then it is a 'staff committee'. Committees may also be informal or formal. Committees that are 'informal' are organized without specific delegation of authority, usually by some persons desiring group thinking or group decision on a particular problem. Formal committees are established as a part of organization structure, with dedicated duties and authority.

Committees may be permanent or temporary. A formal committee may be established by the order of the company President with a sole purpose of studying the feasibility of expanding the business and be disbanded immediately on completion of the task. An informal committee set up by the company manager to advice on the improvement of product quality or to help coordinate delivery dates with sales commitments, might continue indefinitely.

Reasons for using Committees and Groups

One need not look for reasons for the widespread use of committees and groups. Although the committee is sometimes regarded as having democratic origins and as being characteristic of democratic society, the reasons for its existence go beyond mere desire for group participation. Committees are widely used even in authoritarian regime. Merits and demerits of committees are listed in Table 8.5.

TABLE 8.5 Merits and Demerits of a Committee

Merits	*Demerits*
Sound decisions	Delay in decisions
Coordination	Committee organizations are expensive
Easy communication	Difficulty in deciding the responsibility
Decentralization of authority	Lack of secrecy
Development of new ideas	Lack of democracy. Senior members dominate proceedings.
Facilitates training	Lack of initiative
Stability	Against managerial development
Easy implementation of decision	Diversion from routine functions.
Representation of common ideas	

FOCUS GROUP

A 'focus group' is a group of people who have been brought together to discuss a specific topic in-depth. Focus groups are a very useful tool for collecting relevant and informative data. They allow you to investigate complex behaviour such as what different groups think about a subject and why they hold such views and can also help to identify changes in behaviour. Focus groups are particularly useful in investigating the use, effectiveness and usefulness of a service as they allow you to gather detailed information and probe people's views. They also enable the user in informed decision-making and resource allocation.

Elements of 'focus groups' have been used in Europe. Germany's public participated in value forums to determine long-term energy policies.

TEAMS

"A team is a small number of people with complementary skills who are committed to a common purpose, set of performance goals, and approach for which they hold themselves mutually accountable" (Katzenbach and Smith).[42]

Organizations create teams to give more responsibility to workers, to empower them, to allow the organization to capitalize on the workers' knowledge and motivation, and to shed bureaucracy and promote flexibility. These are sometimes called self-managed teams, cross-functional teams, or high performance teams.

A work group becomes a team when:

- Leadership becomes a shared activity.
- Accountability shifts from strictly individual to both individual and collective.
- The group develops its own purpose or mission.
- Problem solving becomes a way of life, not a part-time activity.
- Effectiveness is measured by the group's collective outcomes and products.

Entrepreneurial Perspective: Advisory Boards for New Ventures

New entrepreneurs often seek experienced advice and executive support from the Advisory Board. These boards usually provide companies with advisory services on strategic planning, marketing, competitive analysis and the raising of venture capital at minimal cost, private equity, structured debt and strategic investment funding at minimal costs. The Advisory Boards usually have experienced people, both in Operations and Finance, which allows the Board of Directors to understand the needs of the enterprise and perform by teaming with appropriate investment and commercial banks. Advisory Boards also assist entrepreneurs to make acquisitions and internal growth.

Advisory Boards do not have formal charge or responsibility of a Board of Directors but do provide the entrepreneur with a supportive group of executives that may assist the Board of Directors with strategic advice.

TABLE 8.6 Comparison of Work Team and Group

Work Group		*Teams*
Share information	← Goal →	Collective performance
Neutral (sometimes negative)	← Synergy →	Positive
Individual	← Accountability →	Individual and mutual
Random and varied	← Skills →	Complementary

Members of a team

- Have stronger sense of identification
- Are committed to common goals or tasks they have defined
- Trust and support each other (task interdependence)
- Have more differentiated and specialized roles between themselves
- Resolve differences and reach consensus

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Types of Teams

1. **Problem-solving team** A group of 5–10 employees of the same department who meet every week or often to discuss the ways of improving quality, efficiency and the work environment. Aims at improving quality, efficiency and work environment.
2. **Self-managed work team or autonomous work group** Team design includes several highly skilled individuals who are cross-trained and have the responsibility and authority to perform. Its responsibilities include planning and scheduling of work, collective control over the pace of work, making operating decisions.
3. **Self-managed work team (semi autonomous work group)** It is responsible for the daily work of the organization. It has highly interdependent activities and is responsible for producing distinct product or service. Perform same task repeatedly and are usually stable.
4. **Cross-functional team** It is an effective means of allowing people from diverse areas within an organization to exchange information, develop new ideas and solve problems and coordinate complex problems. The main tasks are: 'envisioning' to include articulating strategic objectives, helping team to understand and improve mental models regarding tasks; suggesting creative ideas; and organizing which encompasses planning and scheduling team activities; helping teams establish standards, and arranging and conducting meetings.
5. **Virtual teams** Virtual teams use Information Technology to achieve common goals. A virtual team can include members of the same organizations or link members of various organizations dispersed. Can do all functions other teams perform and acts in real time.
6. **Self-defining team** Also referred to as 'self-designing team' (Hackman 1987), it is treated as a distinct enterprise within a parent organization. All decisions are made collectively. Few corporations allow teams to define their mission, scope and activities.

Teams are popular because of the following reasons:

- Teams outperform individual.
- Teams better utilize employee talents.
- Teams are more responsive and flexible to changing events.
- Teams assemble, respond, deploy, refocus and disband quickly.
- Facilitate employee participation.

PSYCHOLOGICAL INTERVENTION FOR ENHANCING GROUP BEHAVIOUR IN INDIA

India has a diverse population and needs some psychological intervention to enhance group behaviour and break social dogmas. Since groups are inevitable and constitute an important part of our social reality, we need to recognize the essence and value of pluralism. All groups are important and play distinct roles and we need to appreciate this diversity in our social life in a positive manner. The approach should be to evolve a strategy in which diverse groups and communities are able to live distinct patterns of life the way they want. The various groups or communities should complement each other and help in achieving their goals. Super ordinate goals may be created that may be shared by all the groups. To this end, the following steps may prove very helpful:

1. Increasing dialogue amongst the diverse groups existing in the society.
2. Building an atmosphere of mutual trust and harmony.
3. Equity and equality of opportunity for different groups needs to be ensured.
4. Greater opportunities for mutual care, respect and complementarity need to be created.

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SUMMARY

This chapter has emphasized that groups and team-working arrangements have profound complex effects on the individual. Group membership appears to fulfil the basic psychological needs, and it has both positive and negative effects on an individual and also on an organization. We have discussed in this chapter how some group membership can cause distorted perceptions. However, the group gives social identities and it is the group that encourages competition and can also be root cause of discrimination against non-group members. Within a group, the dependency and conformity can stifle originality and innovativeness.

Group cohesion, often seen as positive quality, can lead to disasters. Norms can operate against the interest of the management as in Hawthorne experiments. Yet in modern-era, team and team working is the best method of accomplishing complex tasks. As Hackman et al. (2000) points out, whilst a great deal is known about what contributes to effective team functioning, translating this apparently sound body of knowledge into organizational and managerial structures is an entirely different matter.[43]

KEY TERMS

Depersonalization	Homogeneity	Self-stereotyping
Group	Norm	Team
Groupthink	Reflexivity	Team roles

REVIEW QUESTIONS

1. What are groups? Define them. What are the basic types of groups in an organization? Which type of group do you think is most significant and why?
2. Discuss the nature of group dynamics which prevail in informal groups and its impact on the effectiveness of the organization as a whole.
3. "The actual process of interaction among individuals represented in the formal plan cannot adequately be described solely in terms of its planned lines of interaction." Elucidate.
4. How is cohesiveness related to performance? What implications does this relationship have for improving performance in organizations?
5. What can management do to improve group decision-making effectiveness?
6. What are the benefits that individual members gain from group membership? What costs are simultaneously incurred?
7. "One cannot predict the effectiveness of an organization structure without understanding the group process that exists in the situation." Explain whether you agree or disagree with this statement and why.
8. How does size of a group affect its activities?
9. What is a committee? How do organizations use committees? Do you think a committee is a suitable method of accomplishing task? Discuss.
10. What are teams? How are these different from groups? How does a team function in an organization?
11. Enumerate some team roles and describe their characteristics.

PROJECT WORK

Identify the informal groups that make up your workgroup. Who are the informal leaders within each group? What norms exist within each group and how do they impact performance? Be prepare to present the findings is the class.

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CHAPTER NINE 9

Communication

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- Functions and directions of communication
- Interpersonal communication
- Organizational communication
- Grapevine
- Mobilizing support through communication
- Decision-making

IMPRESSION MANAGEMENT

The social world is seen as a stage on which 'actors' constantly create and recreate their social self according to their conceptions of what is a social person (de Waele and Harré, 1976). Interactions between actors are characterized by each monitoring his or her performance and the performance of others. Harré used the term 'persona' to describe the social face we present to others.

Nisha, a manager in HDFC Bank Ltd, Meerut, described a particularly difficult encounter to one of the situations to the author. The encounter involved two customers she dealt with being high net investors. Normally, she used to meet them on their premises but on this occasion both had decided to pay her an informal visit as they were in this area. They both appeared in her office at the bank at the same time. What made the encounter particularly difficult was that she constructed herself differently with each of them. With one, she had an extremely personal and informal style. She actively maximized the personal element and informal style. She actively maximized the personal element of the encounter having remembered the names of his wife and children. With the other, she had more professional and formal style. With this client, she focused on formal protocols of the banker-client relationship. She focused on the substantive tasks that needed to be accomplished and so

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highlighted the professional nature of the relationship. Both of them were close friends, but both were confused about the way other spoke of her! In fact, each felt they had relationship with completely different person. Nisha particularly prided herself on what she regarded as her ability to be a chameleon, being who she needed to be in order to be effective. There is evidence that there are some important individual differences in what is regarded as self-monitoring—the extent to which we are conscious of our impression management. Clearly, we all engage in impression management but for some of us it becomes a way of life, sometimes with unanticipated consequences.

"Half the world is composed of people who have something to say and can't, and the other half who have nothing to say and keep on saying it," Robert Frost. Research indicates that poor communication is probably the most frequently cited source of interpersonal conflict. Since individuals spend nearly 70 per cent of their waking hours communicating—writing, reading, speaking, listening—it seems reasonable to conclude that one of the most inhibiting forces to successful group performance is a lack of effective communication.

No group can exist without communication—the transference of meaning among its members. It is only through transmitting meaning from one person to another that information and ideas can be conveyed. Communication, however, is more than merely imparting meaning. Communication must include both the transference and the understanding of meaning.

In this chapter we shall discuss organizational communication and its social impact. Organizing is "a consensually validated grammar for reducing equivocality by means of sensible interlocked behaviours. To organize is to assemble ongoing interdependent actions into sensible a sequence that generates sensible outcomes."[1] Studying organizing means explicating the shared rules, codes, and norms that order sequences of mutually independent action, and how continuous marking and affirming of behaviour by symbolic repertoires is used by organization members to interpret communication. This means communication is both, context dependent and has generalized meaning.

COMMUNICATION THROUGH THE AGES

Schultz and Weber (1947, 1964) say that three societies are presented as ideal types (Pre-literate societies, Modern Industrial societies, and Postmodern societies). The simplest and most basic point to be made is that size brings within it changes in the division of labour, social differentiation, and changes in the frequency, quality, and character of communication. In short, communication changes from face-to-face to some combination of face-to-face and mass communications. In postmodern society, tertiary or media-motivated experiences become the most common and salient. In this sense, the social types presented correlate the changes in the nature of communication (see Table 9.1).

Social Relations and their Impact on Communication

Changes in the nature of social relations have important implications for the nature, functions and quality of communication. The marking of social relations, the differentiation of groups, the cultural and social ranking and differentiation of individuals within groups, the transmission of information, and expression are altered fundamentally.[2] Organizational communication becomes more common, and is the working model for many modes of public communication. These changes are strongly influenced by media logic and the formats of the media that arise to co-opt and control information and meaning in the post-modern world.[3]

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TABLE 9.1 Changes in Communication in Types of Societies

	Pre-literate Societies	*Modern Industrial Societies*	*Postmodern Societies*
Social Relation	Dense and closely articulated social relation.	Loosely linked.	Keyed by media.
Symbols	Shared symbols and symbolic repertoires.	Non-shared symbols and symbolic repertoires exist.	Shared as media mediated.
Roles	Roles are simple and sign vehicle are known and local.	Roles are simple and sign vehicle are both local and national.	Roles and signs are 'massified', visual, distant and artificial (created).
Social Control	Consistent and determined by many institutions.	Narrowly defined, often formally determined.	Reflected in media and weakly articulated.
Key to Ordering	Intimate relations, family and kin relations, and ascribed statuses are keys to ordering.	Intimate relations are embedded in diffuse and loose networks of acquaintances.	Non-intimate relations rise in centrality in shaping identity and self; family, kin. And other ascribed statuses are less likely to key ordering.
Ecologically	Bounded and defined.	Ecological boundaries are diffuse; national boundaries are salient.	Media and society are ecologically unbounded; symbolically entail experience of world events as 'personal'.
Economically	Self-sufficient.		Interdependent (individually and nationally).
Industrial Roles	Non-existent.	Knowledge production is valued (Science, R&D, and Intelligence).	Work and leisure roles are in tension.
Money	Absent.	It is the great zero symbol having all possible meanings and none at all.	It is the great zero symbol having all possible meanings and none at all.
Networks	Known, face-to-face communication predominates.	Class, race, and achieved statuses are key to social ordering.	Shared communication channels and networks are known; both face to face and larger, looser set of mass communication networks key meaning and experience.
Mass Communication	Absent.		
Bureaucracies	Absent.	Bureaucratic work is central.	Are work settings for most.
Coalesce	Authenticity, authority and the sacred coalesce.	Authenticity and authority coalesce.	Authenticity, authority and the coalesce.
Religion	Sacred canopy of religion defines ultimate truths and dominates behaviour.	Secular knowledge legitimates meanings.	Secular meaning dominates.
Social and Moral Boundaries	Clear and well understood; moral categories are shared.	Moral codes and boundaries are messy and are not well understood; moral categories are vaguely shared.	Moral codes and boundaries are messy and are not well understood; moral categories are vaguely shared.

FUNCTIONS OF COMMUNICATION

Communication serves four major functions within a group or organization:

1. Control
2. Motivation

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3. Emotional expression
4. Information

Communication acts to control members' behaviour in several ways. Organizations have authority hierarchies and formal guidelines that employees are required to follow. When employees, for instance, are required to first communicate any job related grievance to their immediate boss, to follow their job description, or to comply with company policies, communication is performing a control function. But informal communication also controls behaviour. When work groups tease or harass a member who produces too much (and makes the rest of the group look bad), they are informally communicating with, and controlling, the member's behaviour. An organization may be centralized or decentralized. The centralization of an organization is measured by the distance between decision and operation, or the levels intervening authorities between the two.

Communication fosters motivation by clarifying to employees what is to be done, how well they are doing, and what can be done to improve performance if it's subpart. The formation of specific goals, feedback on progress toward the goals, and reinforcement of desired behaviour, all stimulate motivation and require communication.

For many employees, their work group is a primary source for social interaction. The communication that takes place within the group is a fundamental mechanism by which members show their frustrations and feelings of satisfaction. Communication, therefore, provides a release for the emotional expression of feelings and for fulfillment of social needs.

The final function that communication performs relates to its role in facilitating decision making. It provides the information that individuals and groups need to make decisions by transmitting the data to identify and evaluate alternative choices.

No one of these four functions should be seen as being more important than the others. For groups to perform effectively, they need to maintain some form of control over members, stimulate members to perform, provide a means for emotional expression, and make decision choices. You can assume that almost every communication interaction that takes place in a group or organization performs one or more of these four functions.

CONDITIONS FOR EFFECTIVE COMMUNICATION

The conditions for effective communication in an organization have been elaborated by Barnard as follows:

(a) "The channel of communication should be definitely known." It implies that lines of communication should be clear in the mind of an individual so that everyone knows whom he has to report, and who has to report to him. Order and predictability can only be achieved when the relevant communication lines are known. That is why it is observed that people have a chart or file which posts details of telephone numbers, addresses with whom they are likely to communicate.

(b) "The objective authority requires a definite channel of communication to every member of the organization." This means that every person performing a role in the organization must be able to communicate and to be communicated with. Performing a role or functioning in an industry, organization or society is impossible with ability to communicate, i.e., receive order and pass instructions as also pass requests.

(c) "Lines of communication should be direct and as short as possible." Long communication channels tend to distort the information. And hence, it should be as short possible.

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(d) A complete line of communication should be used. It is important that the proper channel is used and no direction is issued over the heads of the subordinates. As Moore points out, "Nothing is devastating to the morale of a junior supervisor as to have his authority lightly cast aside by his superiors."

(e) "The competence of persons serving as communication centres, i.e., managers, supervisors must be adequate." Persons serving as communication centres are not telephone exchange employees, but officials, technicians and supervisors or executives whose role is not merely to transmit the message but mainly to explain and elaborate on it. Hence, they need to have knowledge and experience, the capacity to analyse and evaluate the situation, as well as, command over the language and ability to express sufficiently to communicate the message correctly.

(f) "The line of communication should not be interrupted during the time of functioning of the organization." It simply implies that line of communication should never close. If the incumbent is away, his deputy performs the functions.

(g) "Every communication should be authenticated." Direction should come from the competent authority and, if written, should bear his signatures. The directions or instruction should follow the channels of communication.

(h) "Only those orders should be communicated that will be obeyed." This is an extension of law whereby a law has no force if its observance becomes impossible; in such a situation the existence of that law would only serve to make delinquents.

(i) Lastly, the directions must be understood by the person who has to implement or execute it.

Distortion of communication

The main reasons for distortion of communication are time segmentation, spatial and social distance. Time segmentation can be simply exemplified by day and night shift, directions for day shift may not totally be applicable for night shift and hence, there may be distortions of communication. The spatial distance also leads to distortion as in case of time segmentation. Lastly, social distance is important especially in the modern era as the education, training, motivation and perception between a manager and a worker is different and they will react differently to same directions issued. This is also applicable to different countries as their cultures are different.

COMMUNICATION PROCESS

Before communication can take place, a purpose, expressed as a message to be conveyed, is needed. It passes between a source (the sender) and a receiver. The message is encoded (converted to a symbolic form) and passed by way of some medium (channel) to the receiver, who retranslates (decodes) the message initiated by the sender. The result is transference of meaning from one person to another.

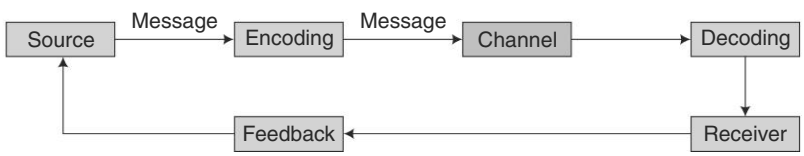

FIGURE 9.1 Communication process model

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Figure 9.1 depicts this communication process. This model is made up of seven parts: (1) the communication source, (2) encoding, (3) message, (4) channel, (5) decoding, (6) receiver, and (7) feedback. The source initiates a message by encoding a thought. The message is the actual physical product from the source encoding. When we speak, the speech is the message. When we write, the writing is the message. When we gesture, the movements of our arms and the expressions on surfaces are the message. The channel is the mediate through which the message travels. It is selected by the source, who must determine whether to use a formal or informal channel. Formal channels are established by the organization and transmit messages that are related to the professional activities of members. They traditionally follow the authority chain within the organization. Other forms of messages, such as personal or social, follow the informal channels in the organization. The receiver is the object to whom the message is directed. But before the message can be received, the symbols in it must be translated into a form that can be understood by the receiver. This step

Fear of Feedback

Jackman and Strobber (2003) estimate that half of the managers they work with, never ask for feedback. On the face of it, everyone could benefit from advice on how to improve their performance. Individuals who benefit from regular feedback from their managers are in minority. A normal conversation in the coffee room could be, "We all hate and avoid feedback, because we all fear being criticized." Jackman and Strobber suggest that in the absence of any training helping us to handle criticism, we are unlikely to engage in a number of complex maladaptive reactions to feed such as:

(a) *Denial* It involves an unconscious defence enabling us not to recognize any shortcomings and so to feel we do not need any feedback or to deny the validity of it.

(b) *Brooding* It entails feeling overwhelmed by the job's demands; rather than seeking feedback on performance issues, this strategy includes being quieter than usual or psychologically withdrawing during or after feedback.

(c) *Self-sabotage* Instead of seeking feedback about feedback performance, we engage in self-defeating behaviours or demonstrate such behaviours following feedback, both responses being motivated by very deep-seated feelings of worthlessness.

(d) *Jealousy* Strong feelings of jealously about the qualities and effectiveness of colleagues may mean we choose not to seek feedback about our own performance or our ability to respond to feedback is undermined by jealousy.

(e) *Procrastination* A more conscious strategy stemming from feeling dissatisfied, possibly even angry, but also unable to do anything to change our situation. So, we exhibit passivity and avoid feedback. Instead, we might focus on inessential details of our work and not act or take decisions which help us to deal with performance issues. It can form the basis of an emotional response to feedback which similarly involves exhibiting passivity and allowing decisions to be made for us.

Feedback is useful when it is

- Focused on acts, not attitude. Feedback is more useful when it is used to respond to specific actions that are done in the process of performing one's job or working on behalf of a team.
- Directed towards the future. The purpose of feedback is not to dwell on the past, it is to plan for the future. Useful feedback uses past actions as a springboard to help the feedback recipient develop effective plans for future actions.
- Multidirectional. Many of us might think of feedback as hierarchical in nature: a manager or supervisor sends feedback down to an employee. While this is the most common type of feedback, feedback within cross-functional teams is also important. Each member of the team often has a unique vantage point and insights and sharing information can help others see things they may not have previously seen.

Suggestions for receiving feedback effectively include:

- Become a careful listener. Concentrate on what the speaker is saying, and present your own observations only when they are finished talking.
- Keep feedback in perspective. Use feedback as a guide; not something you need to dwell on, but something to evaluate to see if you need to repeat or change specific actions.
- Try to learn from all feedback. Look at feedback as a 'gift', focus on details that can help you change your behaviour or performance.

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is the decoding of the message. The timeline in the communication process is a feedback loop. Feedback is the check on how successful we have been in transferring our messages as originally intended. It determines whether understanding has been achieved.

DIRECTION OF COMMUNICATION

Communication can flow vertically or laterally. The vertical dimension can be further divided into downward and upward directions.

Downward Communication

Communication that flows from one level of a group or organization to a lower level is downward communication. When we think of managers communalizing with employees, it is the downward pattern. It is used by group leaders and managers to assign goals, provide job instructions, inform employees of policies and procedures, point out problems that need attention, and offer feedback about performance. But downward communication doesn't have to be oral or face-to-face contact always. When management sends letters to employees' homes to advise them of the organization's new sick leave policy, it's using downward communication. So is an e-mail from a team leader to the members of his/her team, reminding them of an upcoming deadline.

Upward Communication

Upward communication flows to a higher level in the group or organization. It's used to provide feedback to higher-ups, inform them of progress towards goals, and relay current problems. Upward communication keeps managers aware of how employees feel about their jobs, co-workers, and the organization in general. Managers also rely on upward communication for ideas on how things can be improved.

Some organizational examples of upward communication are performance reports prepared by lower management for review by middle and top management, suggestion boxes, employee attitude surveys, grievance procedures, superior-subordinate discussions, and informal "gripe" sessions in which employees have the opportunity.

Lateral Communication

When communication takes place among members of the same work group, among members of work groups at the same level, among managers at the same level, or among any horizontally equivalent personnel, we describe it as lateral communications.

Why would there be a need for horizontal communications if a group or organization's vertical communications are effective? The answer is that horizontal communications are often necessary to save time and facilitate coordination. In some cases, these lateral relationships are formally sanctioned. More often, they are informally created to short-circuit the vertical hierarchy and expedite action. Lateral communications can, from the management's viewpoint, be good or bad. Since strict adherence to the formal vertical structure for all communications can impede the efficient and accurate transfer of information, lateral communications can be beneficial. In such cases, they occur with the knowledge and support of superiors. But they can create dysfunctional conflicts when the formal vertical channels are breached, when members go above or around their superiors to get things done, or when bosses find out that actions have been taken or decisions made without their knowledge.

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INTERPERSONAL COMMUNICATION

Group members transfer meaning between and among each other using three basic methods—oral, written, and non-verbal communication.

Oral Communication

The chief means of conveying messages is oral communication. Speeches, formal one-on-one and group discussions, and the informal rumour mill or 'grapevine' are popular forms of oral communication. The advantages of oral communication are speed and feedback. A verbal message can be conveyed and a response received in a minimal amount of time. If the receiver is unsure of the message, rapid feedback allows for early detection by the sender and, hence, allows for early correction. The major disadvantage of oral communication surfaces in organizations when the message has to be passed through a number of people. The more people a message must pass through, the greater the potential distortion.

Written Communication

Written communications include memos, letters, electronic mail, fax transmissions, organizational periodicals, notices placed on bulletin boards, or any other device that is transmitted via written words or symbols. Written communications are tangible and verifiable. Typically, both the sender and receiver have a record of the communication. The message can be stored for an indefinite period. If there are questions concerning the content of the message, it is physically available for later reference. This feature is particularly important for complex and lengthy communications. The marketing plan for a new product, for instance, is likely to contain a number of tasks spread out over several months. By putting it in writing, those who have to initiate the plan can readily refer to it over the life of the plan. A final benefit of written communication comes from the process itself. You're usually more careful with the written word than the oral word. Thus, written communications are more likely to be well thought-out, logical, and clear. Written messages have their drawbacks as well. They're time consuming and do not have a built-in feedback mechanism. The result is that the mailing of a message has no assurance it 'has been received, and, if received, there is no guarantee the recipient will interpret it as the sender intended'.

Non-verbal Communication

Every time we verbally give a message to someone, we also impart a, non-verbal message. In some instances, the non-verbal component may stand alone. For example, in a class, a glance, a stare, a smile, a frown, and an active body movement by a lecturer, all convey meaning. As such, no discussion of communication would be complete without consideration of non-verbal communication, which includes body movements, the intonations or emphasis we give to words, facial expressions, and the physical distance between the sender and receiver. We act out our state of being with non-verbal body language. We lift one eyebrow for disbelief; we rub our noses for puzzlement; we clasp our arms to isolate ourselves or to protect ourselves, shrug shoulders for indifference, wink one eye for intimacy, tap fingers for impatience, and slap our forehead for forgetfulness.

The two most important messages that body language conveys are: (1) the extent to which an individual likes another and is interested in his or her views and (2) the relative perceived status between a sender and receiver. For instance, were more likely to position ourselves closer to people we like and touch them more

often. Similarly, if you feel that you're higher in status than another, you're more likely 'to display body movements such as crossed legs or a slouched seating position that reflect a casual and relaxed manner.

Body language adds to, and often complicates, verbal communication. A body position or movement does not, by itself, have a precise or universal meaning, but when it is linked with spoken language, it gives fuller meaning to a sender's message.

Even if you read the verbatim minutes of a meeting, you wouldn't grasp the impact of what was said in the same way you would if you had been there or saw the meeting on video. This is because there is no record of non-verbal communication. The emphasis given to words or phrases is missing. Facial expressions also convey meaning. A snarling face says something different from a smile. Facial expressions, along with intonations, can show arrogance, aggressiveness, fear, shyness, and other characteristics that would never be communicated if you read a transcript of what had been said.

The 'way' individuals space themselves in terms of physical distance also has meaning. What is considered proper spacing is largely dependent on cultural norms. For example, what is considered a businesslike distance in some European countries would be viewed as intimate in many parts of North America. If someone stands closer to you than is considered appropriate, it may indicate aggressiveness or sexual interest; if farther away than usual, it may mean disinterest or displeasure with what is being said.

It's important for the receiver to be alert to these non-verbal aspects of communication. You should look for non-verbal cues as well as listen to the literal meaning of a sender's words. You should particularly be aware of contradictions between the messages.

ORGANIZATIONAL COMMUNICATION

We now move from interpersonal communication to organizational communication. Our focus here will be on formal networks, the grapevine, and computer-aided mechanisms used by organizations to facilitate communication.

Formal Small-Group Networks

Formal organizational networks can be very complicated. They can, for instance, include hundreds of people and a half-dozen or more hierarchical levels. To simplify our discussion, we have condensed these networks into three common small groups of five people each (see Figure 9.2). The networks are the chain, wheel, and all-channel. Although these three networks have been extremely simplified, they do allow us to describe the unique qualities of each.

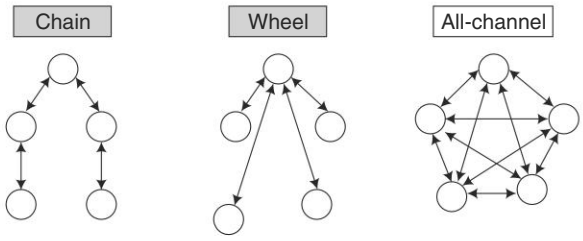

FIGURE 9.2 Three common small group networks

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The chain rigidly follows the formal chain of command. This network approximates the communication channels you might find in a rigid three-level organization. The wheel relies on a central figure to act as the conduit for the entire group's communication. It simulates the communication network you would find on a team with a strong leader. The all-channel network permits all group members to actively communicate with each other. The all-channel network is most often characterized in practice by self-managed teams, in which all group members are free to contribute and no one person takes on a leadership role.

As Figure 9.2 demonstrates, the effectiveness of each network depends on the dependent variable you're concerned about. For instance, the structure of the wheel facilitates the emergence of a leader, the all-channel network is best if you are concerned with having high member satisfaction, and the chain is best if accuracy is most important. Table 9.2 leads us to the conclusion that no single network will be best for all occasions.

TABLE 9.2 Small-group Networks and Effectiveness Criteria

Criteria / *Chain*	*NETWORKS*		
	Wheel	*All-channel*	
Speed	Moderate	Fast	Fast
Accuracy	High	High	Moderate
Emergence of leader	Moderate	High	None
Member satisfaction	Moderate	Low	High

Grapevine

It has been discussed in detail in Chapter 8.

Computer-aided Communication

Communication in today's organizations is enhanced and enriched by computer-aided technologies. These include electronic mail, intranet and extranet links, and videoconferencing. Electronic mail, for instance, has dramatically reduced the number of memos, letters, and phone calls that employees historically used to communicate among themselves and with suppliers, customers, or other outside stakeholders.

E-mail

E-mail or electronic mail uses the Internet to transmit and receive computer-generated text and documents. Its growth has been spectacular over the years with most white-collar employees now regularly using e-mail. In fact, a recent study found that the average Indian employee receives 31 e-mail messages a day. And organizations are recognizing the value of e-mail for all workers. Ford Motor Co., for instance, recently made a computer, modem, printer, and e-mail account available for $5 month to all of its more than 300,000 employees worldwide.

As a communication tool, e-mail has a long list of benefits. E-mail messages can be quickly written, edited, and stored. They can be distributed to one person or thousands with a click of a mouse. They can be read, in their entirety, at the convenience of the recipient. And the cost of sending formal e-mail messages to employees is a fraction of what it would cost to print, duplicate, and distribute a comparable letter or brochure.

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E-mail, of course, is not without its drawbacks. At the top of the list is information overload. It's not unusual for employees to get a hundred or more e-mails a day. Reading, absorbing, and responding to such an inflow can literally consume an employee's entire day. In essence, the e-mail's ease of use has become its biggest negative. At times, employees find it increasingly difficult to distinguish between important e-mails, junk mail and irrelevant messages. Another drawback of e-mails is that they lack emotional content. The non-verbal cues in a face-to-face message or the tone of voice from a phone call convey important information that doesn't come across in e-mail, although efforts have been made to create emotional icons (see Exhibit 10-6). Finally, e-mail tends to be cold and impersonal. As such, it's not the ideal means to convey information like layoffs, plant closings, or other messages that might evoke emotional responses and require empathy or social support.

Intranet

Intranet and extranet links intranets are private, organization-wide information networks that look and act like a website, but to which only people in an organization have access. Intranets are rapidly becoming the preferred means for employees within companies to communicate with each other. IBM, as a case in point, brought together its employees online by using the company's intranet. IBMers everywhere swapped ideas on everything from how to retain employees to how to work faster without undermining quality.

In addition, organizations are creating extranet links that connect internal employees with selected suppliers, customers, and strategic partners. For instance, an extranet allows Tata Motor employees to send electronic messages and documents to its steel and rubber suppliers as well as to communicate with its dealers.

Videoconferencing

Videoconferencing is an extension of intranet or extranet systems. It permits employees in an organization to have meetings with people at different locations. Live audio and video images of members allow them to see, hear, and talk with each other. Videoconferencing technology, in effect, allows employees to conduct interactive meetings without the necessity of all being physically present in the same location.

Impact of computer-aided communication

Computer-aided communications are reshaping the way we communicate in organizations. Specifically, it is no longer necessary for employees to be at their workstation or desk to be 'available'. Pagers, cellular phones and personal communicators allow employees to be reached when they are in a meeting, during a lunch break, while visiting a customer across town or during a golf game on a holiday. The line between an employees work and non-work life is no longer distinct. In the electronic age, all employees can theoretically be 'on call' 24 hours a day, 7 days a week.

Organizational boundaries have become less relevant as a result of computer-aided communications. Networked computers allow employees to jump vertical levels within the organization, work full-time at home or someplace other than an organizationally-operated facility, and conduct ongoing communications with people in other organizations. A market researcher, who wants to discuss an issue with the Vice President (VP) of marketing (who is three levels higher up in hierarchy), can bypass the people in between and send an e-mail message to the VP directly. And in so doing, the traditional status hierarchy largely determined by level and access, becomes essentially negated. Or that same market researcher may choose to live in the Cayman Islands and work from home via telecommuting rather than do his or her job in the company's Chicago office. And when an employee's computer is linked to suppliers and customers' computers, the

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boundaries separating organizations become further blurred. As a case in point, because Levi Strauss and Wall-Mart's computers are linked Levi is able to monitor Wall-Mart's inventory of its jeans and to replace merchandise as needed, clouding the distinction between Levi and Wal-Mart employees.

CHOICE OF COMMUNICATION CHANNEL

Sankalp Singh, CEO at medical-software maker Himmat Corp., likes e-mail. Upset with his staff's work ethics, he recently sent a seething e-mail to his firm's 400 managers. Highlights of the e-mail are:

> "Hell will freeze over before this CEO implements ANOTHER EMPLOYEE benefit in this culture . . . We are getting less than 40 hours of work from a large number of our Meerut city-based employees. The parking lot is sparsely used at 8 A.M.; likewise at 5 P.M. As managers, you either do not know what your EMPLOYEES are doing, or YOU do not CARE. . . You have a problem and you will fix it or I will replace you. . . What you are doing as managers, with this company makes me SICK."

Sankalp's e-mail additionally suggested that managers schedule meetings at 7 AM, 6 PM, and Saturday mornings; promised a staff reduction of five per cent and institution of a time-clock system, and his intention to charge unapproved absences to employees' vacation time.

Within hours of this e-mail, copies of it had made its way onto a Yahoo! website. And within three days, Himmat's stock price had plummeted 22 per cent. Although one can argue about whether such harsh criticism should be communicated at all, one thing is certainly clear: Sankalp erred by selecting the wrong channel for his message. Such an emotional and sensitive message might have been better received in a face-to-face meeting.

Research has found that channels differ in their capacity to convey information. Some are rich in that they have the ability to (1) handle multiple cues simultaneously, (2) facilitate rapid feedback, and (3) be very personal. Others are lean in that they score low on these three factors. Face-to-face conversation scores highest in terms of channel richness because it provides for the maximum amount of information to be transmitted during a communication episode. That is, it offers multiple information cues (words, postures, facial expressions, gestures, intonations), immediate feedback (both verbal and non-verbal), and the personal touch of 'being there'. Impersonal written media such as formal reports and bulletins rate lowest in richness.

The choice of one channel over another depends upon whether the message is routine or not routine. The former types of messages tend to be straightforward and have minimum ambiguity. The latter are likely to be complicated and have the potential for misunderstanding. Managers can communicate routine messages.

BARRIERS TO EFFECTIVE COMMUNICATION

A number of barriers can retard or distort effective communication. In this section, we highlight some important barriers.

Filtering

Filtering refers to a sender purposely manipulating information so that it will be seen more favourably by the receiver. For example, when a manager tells his boss only what he feels his boss wants to hear, he is filtering information. The major determinant of filtering is the number of levels in an organization's structure. The more vertical levels in the organization's hierarchy, the more opportunities there are for filtering. Filtering occurs wherever there are status differences.

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Selective Perception

This happens when the receivers in the communication process selectively see and hear information based on their needs, motivations, experience, background, and other personal characteristics. Receivers also project their interests and expectations into communications as they decode them. The employment interviewer, who expects a female job applicant to put her family ahead of career, is likely to see that in female applicants, regardless of whether the applicants feel that way.

Information Overload

Individuals have a finite capacity for processing data. As noted in our previous discussion on e-mail, when the information we have to work with exceeds our processing capacity, the result is information overload. And with e-mails, phone calls, faxes, and meetings, and the need to be updated in one's field, more and more managers and professionals are complaining of overload.

When individuals have more information than they can sort out and use, they tend to select out, ignore, pass over, or forget information. Or they may put off further processing until the overload situation is over. Regardless, the result is lost information and less effective communication.

Emotions

How the receiver feels at the time of receipt of a communication will influence how he or she interprets it. The same message received when you are angry or distraught is often interpreted differently than when you're happy. Extreme emotions such as jubilation or depression are most likely to hinder effective communication. In such instances, we are most prone to disregard our rational and objective thinking processes and substitute them with emotional judgments.

Language

Words mean different things to different people. Age, education, and cultural background are obvious variables that influence the language a person uses and the definitions he or she gives to words. In an organization, employees usually come from diverse backgrounds. Further, the grouping of employees into departments creates specialists who develop their own 'buzzwords' or technical jargon. In large organizations, members are also frequently widely dispersed geographically, sometimes even operating in different countries, and individuals in each locale will use terms and phrases that are unique to their area. The existence of vertical levels can also cause language problems. For instance, differences in meaning with regard to words such as incentives and quotas have been found at different levels in management. Top managers often speak about the need for incentives and quotas, yet these terms imply manipulation and create resentment among many lower managers.

The point is that although you and I probably speak a common language, English, our use of that language is far from uniform. If we knew how each of us modified the language, communication difficulties would be minimized. The problem is that members in an organization usually don't know how those with whom they interact have modified the language. Senders tend to assume that the words and terms they use mean the same to the receiver as they do to them. This assumption is often incorrect.

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Communication Apprehension

Another major barrier to effective communication is that some people, an estimated five to 20 per cent of the population, suffers from debilitating communication apprehension or anxiety. Although lots of people dread speaking in front of a group, communication apprehension is a more serious problem because it affects a whole category of communication techniques. People who suffer from it experience undue tension and anxiety in oral communication, written communication, or both. For example, an oral apprehensive may find it extremely difficult to talk with others face-to-face or become extremely anxious while using the telephone. As a result, such people may rely on memos or faxes to convey messages when a phone call would have been not only faster, but more appropriate.

Studies demonstrate that people who are apprehensive of oral communication avoid situations that require them to engage in it. This is why people, who face this problem, do not take up positions, such as teacher, for which oral communication is essential. But, almost all jobs require some oral communication. In certain cases, high-oral-communication apprehensive people distort the communication demands of their jobs in order to minimize the need for communication. So we need to be aware that there is a set of people in organizations who severely limit their oral communication and rationalize this practice by telling themselves that more communication isn't necessary for them to do their job effectively.

DECISION-MAKING

In organizations decisions are made daily; in fact, we all make some decision all the time.

Characteristics of Organizational Decision-making

There are few characteristics that differentiate organizational decision-making from individual decision-making, as studied by Shipra.[4]

Characteristics of Organizational Decision-making
1. Ambiguity
2. Longitudinal
3. Incentives
4. Repeated decisions
5. Conflict

Firstly, unlike individual decision-making, 'ambiguity' is pervasive in organization. There could be ambiguous information, or there could be ambiguity about preferences or about interpreting the history of decisions.

Secondly, decision-making in and by organizations is embedded in a 'longitudinal' context. This means that participants in organizational decision-making are a part of ongoing processes, even if they do not actively participate in all phases of this process. Decisions in organizations are made in a sequential manner, and commitment may be more important in such processes than judgmental accuracy.

Thirdly, 'incentives' play an important role in organizational decision-making. Incentives, penalties, and their ramifications are real and may have long-lasting effects. These effects are intensified due to the longitudinal nature of decision-making in organizational settings. Further, survival is a basic aspect of life in organizations.

Fourthly, many executives, especially in middle management, may make 'repeated' decisions on similar issues. The belief of having control and using one's skills is pervasive in managerial thinking about risk taking.

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In addition, several repeated decisions are made by following rules rather than by using pure information processing modes.[5]

Fifthly, 'conflict' is pervasive in organizational decision-making. Many a times, power considerations and agenda-setting determine decisions rather than calculations based on the parameter of a decision. Further, organizations are hierarchical systems in which people report to superiors. The nature of authority relations may impact the way decisions are made in organizations, which are basically political.

Decision-making Models

Various decision-making models are discussed below.

Rationality model

Economics emphasizes the complete rationality of decision-making based on known alternatives, which can be evaluated on the basis of pay-off and known, consistent patterns of preferences. The aim is to get the maximum profit, equalizing managerial cost and managerial revenue. The recent model of rational decision-making includes activity-based costing (ABC), which determines the costs according to what is paid for different tasks performed by employees (not according to expenditure categories such as salary). This method provides more accurate information on costs. Other rational methods are the economic value added (EVA) and market value added (MVA). Under economic value added, the true cost of all capital is determined and the total cost of capital is subtracted from the post-tax operating profit. Market value added is the difference between the market value and the invested capital, a positive difference showing the wealth created by the company.

Bounded rationality and heuristic model

An individual or a group searches for a solution that is both satisfactory and sufficient, and Simon used the term 'satisfice' for this. Although it is a rationality model, the rationality is bounded and the individual or group extracts the essential features of a problem without capturing all of its complexities. According to this model, decision makers identify obvious alternatives and choose one which is acceptable. The bounded rationality model neither does nor discusses how the choice will be influenced.

Embedded models

These models emphasize the importance and the role of the values, emotions, institution, and habits for individual decision-making and are socially, culturally, and politically embedded for organizational decision-making.

Individual decision-making

According to Etzioni,[6] most decisions are based not on rationality but on emotional involvement and value commitment. He states values and emotions are not additional factors but are essential in explaining decision-making and the normative-affective basis provides the dynamic quality choice. Frank (1988) has demonstrated that feelings and emotions are apparently the proximate causes of most behaviours.

Consensus

One of the methods employed in industrial societies with a large number of stake-holders is to form a committee to arrive at a consensus.

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Importance of Open Communication in Organization

Communicating the explicit position and explaining the philosophy is a logical starting point in creating a culture in an organization. This can be in the form of policy statements, speeches, or open discussions on work-related issues. Three suggestions can be made about these communications (Waters, 1988). First, ambiguity about corporate priorities has to be eliminated. Second, the communication has to move from the 'do good and avoid evil' level of abstraction to open discussion of concrete problems.

SUMMARY

In this chapter, we have discussed communication. People are creative, expressive beings who convey information about themselves in a variety of verbal and non-verbal ways. By constructing fronts, individuals project themselves as a particular kind of individual. The communication in an organization can be formal, which flows through line or staff channels or informal (grapevine). The grapevine is the fastest means of communication and fulfils the psychological needs of the subordinate employees.

The non-verbal communication is also important as it conveys to the receiver the mode in which the message is being delivered. It helps form reaction of the receiver. In organizations the managers have to make decisions which are similar to decisions made by individuals but at the same time differ from individual decisions. These decisions are based on ambiguous information, embedded in a longitudinal context. Further, incentives play a dominant role in such decisions and conflict is embedded in the decision due to hierarchical system where subordinated report to the superior.

KEY TERMS

Body language
Downward communication
Non-verbal communication
Social control
Social relations
Upward communication
Verbal communication

REVIEW QUESTIONS

1. What is communication? How has communication changed through the history of man?
2. Briefly explain the communication process.
3. Briefly explain the types of communication in an organization listing the advantages and disadvantages of each.
4. Write a note on organizational communication. What is the difference between small group communication and a large group communication?
5. What are the factors taken into consideration while selecting the media to communicate with employees in an organization?
6. What are the barriers to effective communication? How can these be overcome? Explain.
7. How has information technology changed communication? What are their benefits in an organization? Explain.
8. What is decision-making? What are its characteristics in an organization? What are the steps of decision-making?
9. What are the main features of the Rationality Model of decision-making? What are its limitations?

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PROJECT WORK

Visit the office of your college and see the methods used by the management and employees to communicate. Recommend any changes you consider necessary to improve communication and information for the students applying for admission to your college. Present it in your class.

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CHAPTER TEN 10

Organization and Its External Environment

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- Components of environment
- Organization and its external environment
- Nature of pluralistic society and selected environments
- Environmental scanning
- Corporate social responsibility and corporate social performance
- Arguments for and against business involvement in social activities
- Gandhi's philosophy of *sarvodaya*

THE BHOPAL PLANT AND UNION CARBIDE

Union Carbide Corporation is a chemical and polymers company with over 3,800 employees, which possesses some of industry's most advanced processes and catalyst technologies, and operates some of the most cost-efficient, large-scale production facilities in the world. It primarily produces chemicals and polymers that undergo one or more further conversions by customers before reaching consumers. Some of these materials are high-volume commodities, while others are specialty products meeting the needs of smaller market niches. The end uses include paints and coatings, packaging, wire and cable, household products, personal care, pharmaceuticals, automotive, textiles, agriculture and oil and gas.

On August 4, 1999, it was announced that Union Carbide would become a subsidiary of The Dow Chemical Company (TDCC) as part of a transaction valued at $11.6 billion, which finally closed on February 6, 2001. Since the acquisition by TDCC, Union Carbide sells most of the products it manufactures to TDCC and is an important part of the Dow family of companies.

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The Bhopal disaster was an industrial disaster that took place at a Union Carbide pesticide plant in the city of Bhopal, Madhya Pradesh, in India. On the night of December 23, 1984, a dangerous chemical reaction occurred in the Union Carbide factory when a large amount of water got into the MIC storage tank #610. The leak was first detected by workers about 11:30 p.m. when their eyes began to tear and burn. They informed their supervisor who failed to take action until it was too late. In that time, a large amount, about 40 tons of Methyl Isocyanate (MIC), poured out of the tank for nearly two hours and escaped into the air, spreading within eight kilometres downwind, over the city with a population of nearly 900,000. Thousands of people were killed (estimates ranging as high as 4,000) in their sleep or as they fled in terror, and hundreds of thousands remain injured or affected (estimates range as high as 400,000) to this day. The most seriously affected areas were the densely populated shanty towns immediately surrounding the plant.

The first official immediate death toll was 2,259. Subsequently, the government of Madhya Pradesh confirmed a total of 3,787 deaths related to the gas release. Others estimate that 8,000–10,000 died within 72 hours and 25,000 have since died from gas-related diseases while another 40,000 were permanently disabled, maimed, or rendered subject to numerous grave illnesses. Totally, around 521,000 people were affected by this.

This disaster was a result of a combination of legal, technological, organizational, and human errors. The immediate cause of the chemical reaction was the seepage of water (500 liters) into the MIC storage tank. The results of this reaction were exacerbated by the failure of containment and safety measures and by a complete absence of community information and emergency procedures. The long-term effects were made worse by the absence of systems to care for and compensate the victims.

COMPONENTS OF ENVIRONMENT

No industry can exist in a vacuum; each is set in a particular country and region to which it is inextricably linked. This setting provides multiple contexts that influence how the organization operates, what it produces and how. Thus, the concept of 'external environment' is important as it attempts to understand the institutions it supports. Some authors refer to it as 'macro' and 'micro' environment. 'Macro' or 'remote' environment is composed of factors, which are generally beyond the control of the firm, such as political, social, technological and international. 'Micro' or 'operating' is also known as 'task environment' and involves factors that can be influenced and controlled by the firm. For example, the issues the firm faces while trying to attract and acquire needed resources, labour and material to profitably market its goods and services. An analysis of the external environment is an attempt to understand the forces outside organizational boundaries that help shape the organization.

Key dimensions of the external environment that bear on the institution include the administrative/legal, technological, political, economic, and social and cultural contexts, the demands and needs of external clients and stakeholders, and relations with other pertinent institutions. Figure 10.1 illustrates the environment of industry.

Every time a business is established, it takes into account the needs, wants and desires of members of society outside the industry, as well as the needs for material, technology, human resources and other requirements in the external environment.

Forces outside the institution's walls have considerable bearing on that which transpires within since the external environment can provide both facilitating/inhibiting influences on organizational performance.

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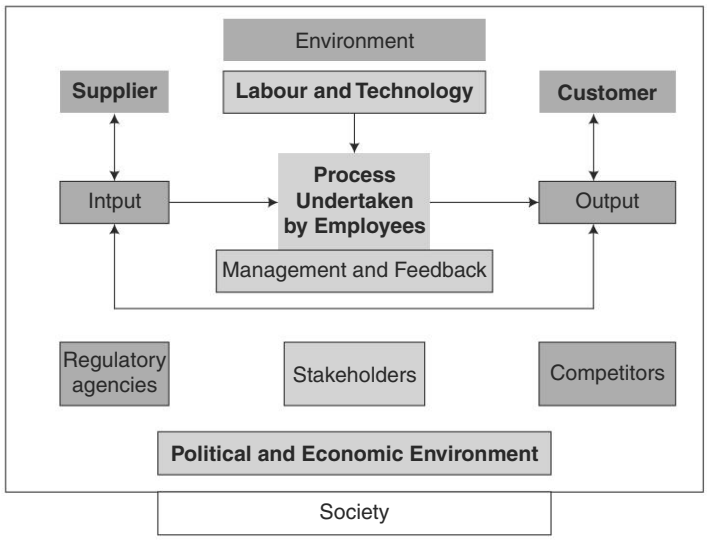

FIGURE 10.1 Environment of industry

SOCIETY: OPERATING IN PLURALISTIC SOCIETY

Pluralism can be defined as a 'condition of being multiple or plural, in which numerous distinct ethnic, religious, or cultural groups are present and tolerated within a society'. Each group or an individual has an impact on other groups, but no particular group exerts an inordinate power on the other; many groups exert the same power in society and on businesses. In a pluralistic society, an organization is compelled to symbolize its commitment to the norms, values, and beliefs of multiple social systems. Pluralistic organizations may not be able to compartmentalize or separate their different institutional identities from one another. The organization's attempts to comply with the demands of one constituency are likely to be observed by others, who may assign very different subjective values to the same displayed symbols.[1] In the language of symbolic interactionists, organizational efforts to verify or validate one identity may invalidate another one.[2] Further, various internal groups with different constitutive beliefs and disparate notions of 'appropriate' behaviour are likely to come face-to-face in decision situations, particularly strategic ones.[3] Pluralism brings into focus the conflicting interests of various groups and one group is quite aware of what the other is doing.

Thus, while operating in a pluralistic society, an individual, group or organization has to strive to keep a balance between conflicting interests. In India, industry operates in a pluralistic society.

Political Environment

The political and administrative system of the country dictates policy formulation, its implementation and control over business. John Kenneth Galbraith[4] said, "No country with a stable and honest government that does not have or has not had a reasonably satisfactory state of economic progress." He further argues that in all these countries, the early emphasis was not on capital investment but on political, and then, on cultural development.[5] The democratic political system comprises three major institutions—having power, legislature or the policy-making body, executive or the authority that implements the decisions of legislature and the judiciary, which determines the manner in which the executive has been fulfilled. Any business needs to be familiar with the above institutions.

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Economic Environment

'Economic environment' refers to all those economic factors which have a bearing on the functioning of a business unit. Three types of economic systems are prevalent—socialist, capitalist and mixed.

(a) **Socialist Economic System** Ideologically, there is no single consensus on what it means for a particular economic system to be 'socialist'. However, there is a general agreement among socialists and non-socialists that a socialist economy would not include private or estate ownership of large enterprises although two outlooks on ownership exist. These are: (a) enterprises owned by society at large; (b) owned cooperatively by their own workers (at least in some cases). Socialists agree that a socialist economy must be run for the benefit of the vast majority of the people rather than for a small aristocratic, plutocratic, or capitalist class. Many non-socialists use the expression 'socialist economy' (or 'socialization' of a sector of the economy) almost exclusively to refer to centralized control under government aegis. Few socialists dispute these principles including the leadership of the Communist Party of China, who claim to remain socialist, even while the continuing economic reforms explicitly include the concept of privately-owned large enterprises competing on an equal basis with publicly-owned ones.

(b) **Capitalist Economic System** A capitalist economic system is that system which encourages private enterprises, free play of market forces, strong competition and directs scarce resources to most profitable ones. The freedom of private initiative is the greatest in a capitalist economy. It is characterized by the following: privately-owned production; income is received in monetary form from the sale of goods or services; members of the free economy have the freedom to choose in so far as consumption, occupation, savings and investments are concerned.

(c) **Mixed Economy** Mixed economy system has both, public and private sectors. The Indian economy is a mixed economic system where the public sector is managed and controlled by the State and private sector too, is controlled by rule and regulations formulated by the government. Usually the mixed economic system has:

(i) Certain enterprises wholly owned by the State

(ii) Enterprises jointly owned by the State and private enterprise

(iii) The enterprise wholly owned and controlled by private entrepreneurs under the general control and regulation of the State

Administrative/Legal Environment

The administrative and legal environment in a country provides a framework within which an organization operates. In some countries, this environment is restrictive and has a significant impact on all aspects of the organization; in other countries, the administrative/legal context is more permissive. Understanding the administrative/legal environment is essential to determining if organizational changes can take place. The administrative context within which the organization operates may be shaped by a unique combination of forces, including international, governmental, nongovernmental policy, legislative, regulatory, and legal frameworks. An organization is affected by the policy or regulatory context that gave rise to it.

In India, regulatory factors are considerably more significant than other environmental factors. "Indeed, reflecting the government's far reaching intervention and overhauling of market forces, there is a plethora of regulations, both, positive and negative, which have explicit and implicit bearing on the prospects of business in India (Thomas, 1972)."[6] The major regulatory policies are Industrial Policy, Fiscal Policy, Public Expenditure Policy, Public Debt Policy, Foreign Exchange Regulation Act (FERA), Import-Export Policy, Monopolies and Restrictive Trade Act, 1969, etc.

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Technological Environment

One of the most pervasive factors in the environment is technology. It refers to the sum total of the knowledge we have of ways to do things. It includes inventions and techniques, the vast store of organized knowledge about everything on the earth. But its main influence is on the ways of doing things. Technology has impacted the concept of work and how people want to utilize the time available to them.

Social and Cultural Environment

Social and cultural factors include attitudes of people to work and wealth, mobility of people, religion, education level, ethics, beliefs and values, etc. These are important environmental factors that should be analysed while formulating business strategies. Social and cultural environments are dynamic in nature, creating new demands in place of old ones, e.g., steel and aluminum utensils have replaced copper and brass utensils. Therefore, it is necessary for a business enterprise to change accordingly and to adjust their products and marketing methods. You cannot market soya oil in Bengal when the locals use mustard oil as preferred medium of cooking.

Sustainable Development

The concept of sustainable development is more about environment and less about development; about stability and not change. It entails restricting one's wants and not the continuing material development and focusing on the non-exploitative attitude towards environment, not just on harnessing it. This form of development is about small communities and less about the larger ones. It is not a concept of development with environment, but is environment without growth.

Ecological Environment

Environmental degradation poses a great danger to man's own survival. Natural resources of land, air and water have to be used wisely as a trust to ensure a healthy environment for the present and future generations. Mangers and leaders must take into account ecological factors in their decision-making. The Government of India has taken various steps to limit degradation of the environment.

The World Commission on Environment and Development (the Brundtland Commission) submitted its report 'Our Common Future' in 1987. This report highlighted and popularized the concept of 'sustainable development', which is about meeting the needs of the present generation without compromising on the needs of future generations. All developmental activities involve some amount of environmental degradation. What is required is to take into account the damage to environment as a result of development, and strike a balance between development and environmental protection. The aim should be to achieve sustainable levels of people's welfare and development. The primary concern is how many people can ultimately be supported by environment and at what level of quality of life. The emphasis is not on pollution but on:

(i) 'Renewal', i.e., energy and its resource may be renewed.

(ii) 'Recycling', i.e., the waste be changed into raw-material and raw-material into waste.

(iii) Gross national product and its growth targets need not be sought, but what should be sought is the 'satisfaction of real human needs'.

Green

Green is the design commercialization and use of processes and products that are feasible and economical while

(a) Reducing the generation of pollution at the source

(b) Minimizing the risk to human health and environment.

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Companies adopting green strategies aspire to what might be called 'differentiated green'. This phrase describes companies that have moved beyond complying with regulations, reducing their energy use, or marketing ecologically-safe products. Such companies make pro-environment policies the cornerstone of their business and a defining corporate strength.[7] Companies that have embraced this approach pursue green strategies throughout their operations and opportunistically use them to enhance performance. Kauffeld, Malhotra and Higgins[8] say that to adopt a differentiated green approach, organizations must take five steps:

3M Business Conduct Policy—Environment, Health and Safety

3M has a number of components in its Business Conduct Policy, one of which relates to environment, health and safety (EHS). Its policy statement mandates employees to comply with 3M EHS policies, including preventing pollution at the source, developing products that have a minimum effect on the environment, work to improve energy efficiency, and incorporating appropriate safety and health considerations in daily job duties and business decisions. It cautions employees to avoid "missed opportunities for preventing pollution and reducing waste; missed opportunities to improve energy efficiency; unsafe activities and workplace conditions; and suppliers, outsource manufacturers and service providers who do not share 3M's environmental, health and safety values".

Source: 3m Business Conduct Policies, retrieved Jan. 01, 2010

National Conservation Strategy and Policy Statement on Environment Development

The Indian Constitution has laid an important trail in the Section on Directive Principles of State Policy by assigning the duties for the State and all citizens through article 48 A and article 51 A(g), which state that the "State shall endeavour to protect and improve the environment and to safeguard the forests and wildlife in the country" and "to protect and improve the natural environment including forests, lakes and rivers and wildlife, and to have compassion for the living creatures".

Legal

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- The Water (Prevention and Control of Pollution) Act, 1974, amended in 1988.
- The Water (Prevention and Control of Pollution) Cess, Act, 1977, amended in 1991.
- The Forest (Conservation) Act, 1980, amended in 1988.
- The Air (Prevention and Control of Pollution) Act, 1981, amended in 1988.
- The Environment (Protection) Act, 1986.
- The Motor Vehicle Act, 1938, amended in 1988.
- The Public Liability Insurance Act, 1991.
- A Notification on Coastal Regulation Zone, 1991

Institutions

Department of Environment in 1980 and the integrated Ministry of Environment & Forests in 1985, Department of Science and Technology, Department of Agriculture and Cooperation, Department of Biotechnology, Department of Ocean Development, Department of Space, Department of Non-Conventional Energy Sources, Energy Management Centre, Council of Scientific and Industrial Research, etc. at the Centre, Departments of Environment at the State and Union Territory level.

- Central Pollution Control Board and State Pollution Control Boards.
- Central Forestry Board.
- Indian Council of Forestry Research and Education with specialized institutions for research in and zone, forestry, moist and deciduous forests, wood technology, genetics and tree breeding and deciduous forests.
- Forest Survey of India (FSI) and the Wildlife Institute of India (VAI) in addition to the existing organizations like Botanical Survey of India (BSI) and Zoological Survey of India (ZSI).
- National Land-use and Wasteland Development Council.
- National Wastelands Development Board.
- Indian Board of Wildlife.
- National Museum of Natural History, Centre for Environmental Education, Institute for Himalayan Environment and Development and Centres of Excellence in specialized subject areas are among the various institutions set-up.

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(i) Green awareness must be a cultural trait throughout the organization

(ii) Embed green principles in innovation efforts. Green initiatives require fresh ways of looking at problems. When designers at Nike Inc. first tried to manufacture shoes in an environmentally-safe way, they generally failed because they held on to the traditional materials and specifications. Nike overcame them by developing a series of product engineering concepts called 'considered design' principles. These aim to reduce environmental impact by reducing waste, using environmentally sustainable materials, and eliminating toxins in manufacturing processes and the shoes themselves.

(iii) View the entire product lifecycle through a green lens. In its ultimate form, differentiated green seeks a 'cradle-to-cradle'[9] lifecycle, in which products or their components can be used again and again with zero waste.

(iv) Consider green principles in making major decisions. Business directions have always involved tradeoffs, but traditionally, green considerations, such as carbon emissions, the use of renewable energy sources and recycled materials, energy efficiency, and material yields, have not been given proper weight against risk, cost, growth, service, and quality.

Going Green: Tata's New Mantra

Reeba Zachariah, TNN, 4 January 2010,

MUMBAI: If globalisation was the driving factor for Tata Group in the last decade, going green may well be the buzzword for the present one. From being on the fringe, the green movement is gaining momentum within the group. For instance, Tata Steel aims to reduce carbon dioxide emissions at its Jamshedpur plant from the current 1.8 tonne to 1.7 tonne per tonne of liquid steel made by 2012. The ideal global benchmark though is 1.5.

Tata Motors is setting up an eco-friendly showroom using natural building material for its flooring and energy-efficient lights. Tata Motors said the project is at a preliminary stage.

The Indian Hotels Company, which runs the Taj chain, is in the process of creating eco rooms which will have energy-efficient mini bars, organic bed linen and napkins made from recycled paper. They wont have carpets since they need to be cleaned with chemicals. The rooms will have CFLs or LED lights. About 5 per cent of the total rooms at a Taj hotel would sport a chic eco-room design.

One of the most interesting innovations has come in the form of a biogas-based power plant at Taj Green Cove in Kovalam, which uses the waste generated at the hotel to meet its cooking requirements.

Tata Group chairman Ratan Tata had said during the launch of Swatch, a low-cost water purifier made from natural ingredients: "We have embarked on a group-wise initiative to create awareness and implement eco-friendly processes wherever it is possible and, in fact, look at some of our older processes to see how we can ensure that they are in compliance with the state-of-the-art exhibits. This is going to be a long and expensive journey and we are fairly committed to it."

Another eco-friendly consumer product that is in the works is Indica EV, an electric car that will run on polymer lithium ion batteries. Tata Motors plans to introduce the Indica EV in select European markets this year. The group's large companies such as Tata Steel, Tata Motors, Tata Chemicals and Tata Consultancy Services contribute 80 per cent of the group's overall emissions and a panel, headed by Tata Sons director JJ Irani, has been formed to address this issue. Several companies have already or are in the process of implementing clean development mechanism (CDM) projects. Tata Steel said it is currently working on more than 17 CDM projects with Ernst & Young and these projects are at various stages of approval at the United Nations Framework Convention on Climate Change.

Tata Power has said that of the total power it would generate in the next 10 years, 25 per cent would be from renewable energy sources.

Tata Motors is collecting environmental and energy data from its dealers and supply chain to compute their carbon footprint and identity opportunities for cutting down on carbon dioxide emission. This initiative will enable sharing and deployment of ideas throughout the value chain, said a Tata Motors spokesperson.

A source in Indian Hotels said that all of its domestic and international hotels would be certified by Green Globe, an international agency by the end of 2010.

Source: Times of India, New Delhi, Tuesday, January 5, 2010, p. 13

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(v) Integrate sustainability into corporate and brand marketing messaging. This is particularly important for attracting and informing stakeholders, including customers, employees, investors, and regulators.

In India, environmental awareness gained importance since the 1970s after the UN-sponsored conference on environment in Stockholm (1972)[10]. The Indian government took up many environment-friendly activities. Ministry of Environment and Forest was established and laws were enacted on environment protection in 1986. In order to protect the environment ISO 14001[11] was developed to address a variety of public concerns including pollution prevention and compliance with relevant laws and regulations.

The objectives of India's National Environment policy are:

1. Conserve and develop safe, healthy, productive, and aesthetically satisfying environment;
2. Upgrade, develop and manage rural and urban settlement to enhance quality of life;
3. Plan development on sound ecological principles with environmental impact assessment and incorporate appropriate environmental safeguards;
4. Promote environmentally safetechnologies; recycling of resources and utilization of wastes;
5. Conserve biotic diversity in the country by creating nature reserves and sanctuaries for specific habitats such as mountains, rain forests, pastures, deserts, wet lands, lakes, beaches, mangroves, estuaries, lagoons and islands;
6. Safeguard the environment within the national maritime Exclusive Economic Zone;
7. Evolve environmental norms and establish effective mechanism for monitoring surveillance and collection and dissemination of information;
8. Preserve science landscapes, as well as historic and cultural monuments and their environs;
9. Promote environmental education at all level and create public awareness;
10. Encourage research in environmental science and technological and social investigation to conserve and improve the environment; and
11. Develop adequate manpower within the country, of ecologists, environmental scientists, planners and managers of the highest quality and recognize their work as an important component of national development.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

"In the environment of modern economic development, the corporate sector no longer functions in isolation. If the pleas of companies that they are performing a social purpose in the development of the country are to

CSR Practices in the Indian Philosophy

CSR practices in the Indian philosophy sits deep-rooted in the concept of dharma or virtue which is to conform to the truth of things. Dharma is the basis of order whether social or moral (Radhakrishnan, 1929). In accordance with Taittiriya Upanishad, the first and most essential virtue for an individual is to speak the truth (satyam vada) and the second instruction is practice virtue (dharma cara). Dharma then fundamentally is to action the truth—an ultimate guide to right living and the stability of society (Mukhopadhy, 1960). In reference to Sankara's commentary, Chakraborty deduced that dharma is even higher than the external authority of the king. This Indian ethics of dharma (virtue) is expressed as a synthesis of intellectual understanding and self-realisation which can be achieved by adherence to the eternal dharma and prescribed by the Vedic literature as the practical guidance in daily life (Chakraborty, 2006). It is clear that Indian philosophy permeates into each individual to reflect upon the truth as he speaks, take right actions through self-realisation of oneself.

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be accepted, it can only be judged by the test responsiveness shown to the needs of the community by the companies. The company must behave and function as a responsible member of society just like any other individual. It cannot shun moral values nor can it ignore actual compulsions… A profit is still a necessary part of the total picture but it is not the primary purpose. The company must accept its obligations to be socially responsible and to work for the larger benefits of the company," Harper and David (1982).[12]

Social responsibility entails the business organization's obligations to look after the interests of society beyond the limits of economic interests. Richard Eels and Clearence Walton addressed the CSR concept in the first (1961) edition of their volume *Conceptual Foundations of Business*[13], and elaborated on the concept at length in their third edition (1974).[14] They observe, "In its broadest sense, corporate social responsibility represents a concern with the needs and goals of society which goes beyond the merely economic. In so far as the business system, as it exists today, can only survive in an effectively functioning free society, the corporate social responsibility movement represents a broad concern with business's role in supporting and improving the social order." The European Commission has defined CSR as, "A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment, and integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." According to ISO 26000, CSR is the "responsibility of an organization for the impacts of its decision and activities on society and the environment, through transparent and ethical behaviour:[15]

(a) Contributes to 'sustainable development', health and welfare of society,

(b) Takes into account the 'expectations of stake holders',

(c) Is in compliance with applicable law and consistent with international norms and behaviour, and

(d) Is integrated throughout the organization and practiced in its relationships."

In August 1978, the Sachar Committee recognized the need of social responsibility in India.

Need for Corporate Social Responsibility

(a) **Public perception.** The perception of the public about business has changed. Today, people perceive that business exists only because it satisfies the valuable needs of society. Society gave business its charter to exist, and the charter can be amended or revoked at any time that the business fails to live up to society's expectations. Therefore, if business wishes to remain viable in the long run, it must respond to society's needs and give the society what it wants.[16]

(b) **Use of Societal Resources by Business.** Businesses utilize the resources of the society and hence, have an obligation towards its welfare.

(c) **Environmental problems**. Industrialization has brought in several concerns like global warming, contamination of water, etc. These problems affect all, and hence, the corporates take steps to reduce and minimize the impact of these problems.

Sethi's[17] Three States of Corporate Behaviour

Sethi (1975) states that, "social responsibility implies bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values, and expectations of performance." He developed a three-tier model for classifying corporate behaviour, which he labeled 'corporate social performance'. The three states of corporate behaviour are based on:

(a) Social Obligation (response to legal and market constraints);

(b) Social responsibility (addressing societal norms, values and expectations of performance);

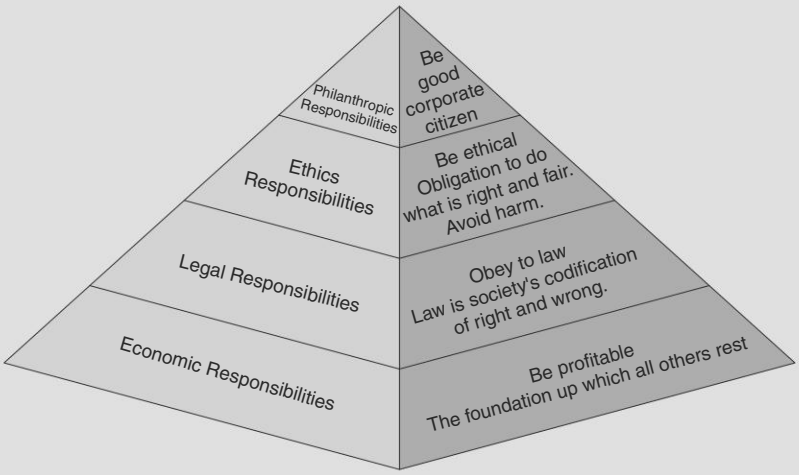
(c) Social responsiveness (anticipatory and preventive adaptation to social needs).

Caroll's Model of CSR

Carroll (1979) proposed a model that contains the following four categories of corporate responsibility in decreasing order of importance:

- Economic--be profitable;
- Legal—obey the law;
- Ethical—do what is right and fair and avoid harm
- Discretional/philanthropic—be a good corporate citizen

In 1991, Carroll presented his CSR model as a pyramid and suggested that, although the components are not mutually exclusive, it "helps the manager to see that the different types of obligations are in constant tension with one another".



Sources: (a) Caroll, A.B. (1979) 'A three Dimensional Model of Corporate performance', *Academy of Management Review,* 4 [4], pp. 497–505.

(b) Caroll, A.B. (1991) 'The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders', *Business Horizons,* 34, p. 39–48.

Figure 10.2 illustrates major elements of CSR.

Sethi's second tier requires a company to move beyond compliance and recognize and address societal expectations. The third tier requires companies to develop the competence to engage effectively with stakeholders and take proactive measures on their issues and concerns. Sethi also emphasized the cultural and temporal dependencies of corporate responsibilities and the importance of stable management systems and standard classifications to facilitate measurement of progress and comparative analysis.

Implementation of Corporate Social Responsibility

The principles of CSR are implemented through a mechanism of corporate social responsiveness. Thus, corporate social responsiveness is the capacity of a corporation to respond to social pressures (Frederick, 1978).

Mechanism of Corporate Social Responsiveness

The first corporate social responsiveness mechanism is environmental assessment, a scanning process that allows the organization to respond or adapt to conditions in its business environment. The second is stakeholder management, which includes devices such as employee newsletters, public affairs offices, and community relations programs. The third and final mechanism (to address CSR) is called issues management, which is composed of issues identification and analysis, and response development. Issues management represents the boundary-spanning roles (e.g., public-private partnerships) and internal functions (e.g., corporate ethics programs) needed to monitor pressing social issues. Corporate social responsiveness links CSR with the outcomes of corporate social performance.

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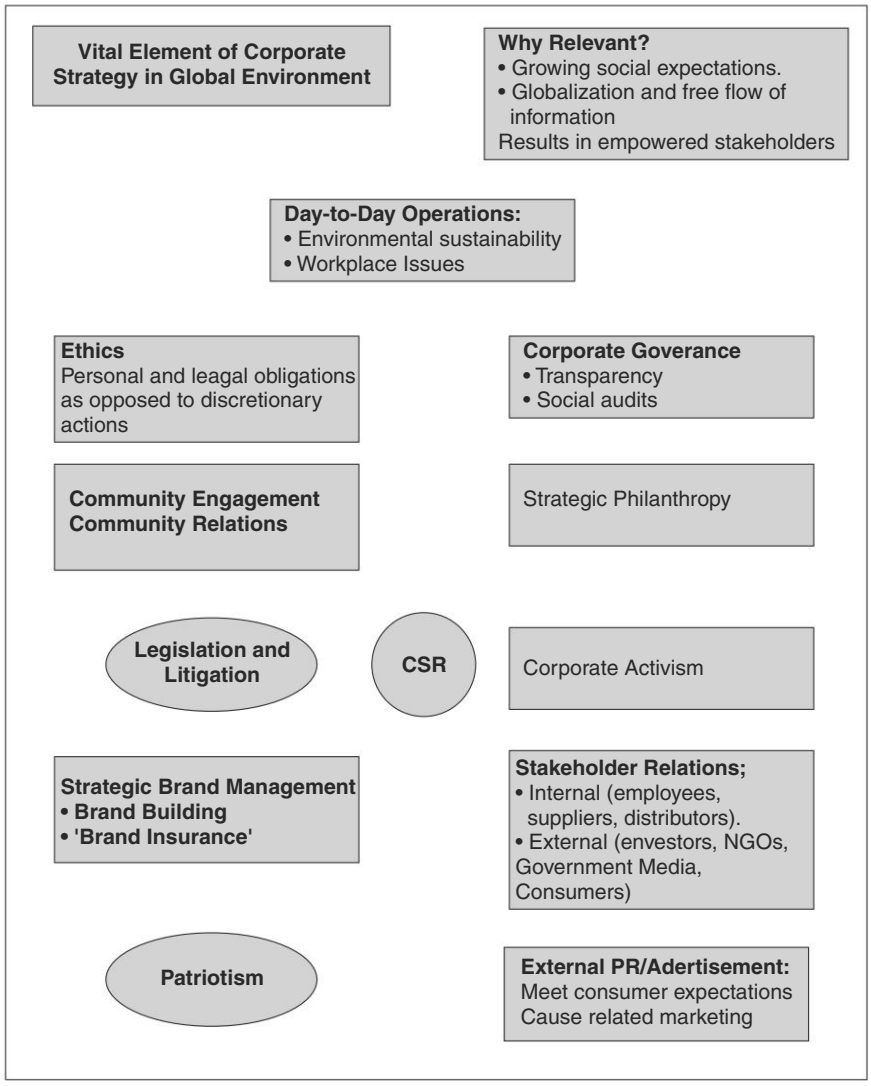

FIGURE 10.2 Corporate social responsibility

CORPORATE SOCIAL PERFORMANCE

The most commonly employed theories of corporate social performance tend to ignore firm level processes and structures as sources of competitive advantage. But taking a resource based view and by enhancing firm's capability to engage in socially responsible activities, it can potentially create its own competitive advantage.

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CSR Minus Human Resource Equals Public Relation

According to a repot titled 'Corporate Social Responsibility and Human Resource's Role', by the Chartered Institute of Personnel and Development (CIPD), effective implementation of Human Resource's policies on employee consultation, diversity, fair treatment and work-life balance are fundamental to projecting the image of a responsible employer. Human Resources departments are responsible for many key systems and processes, including recruitment, training and communications, on which effective delivery of CSR initiatives depends.

Mike Emmott, Head of Employee Relations and the report's author, said that CSR must start with getting the relationship with employees right. Without this, it is unlikely that the organization will be able to convincingly discharge its obligations to the wider community. "In our view, CSR minus HR equals PR," he said.

"Research evidence shows that employees have relatively high levels of trust in their line manager but very low levels of trust in senior management. HR practices are heavily underpinned by ethical beliefs so good HR is the obvious basis for building trust levels across the organization and providing a solid foundation for CSR.

HR can give substance to company aspirations to be-and be seen to be—a good employer by championing policies on diversity, work-life balance, employee involvement and training and development." He added,"Successful practices of this kind not only build credibility and trust with customers and employees but have other positive effects such as improved recruitment and retention rates."

Definition of Corporate Social Performance

Wood[18] defined it as "a business organization's configuration of principles of social responsibility, process of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships."

Components of Corporate Social Performance

There are four major components of corporate social performance:

(a) **Community Relationship**. The community dimension evaluates the firm's performance in relationship to philanthropic giving and community support.

(b) **Environment**. The environmental aspect considers such firm stewardship activities as pollution prevention, global warming and recycling.

(c) **Diversity**. Diversity measures corporate social performance considering factors such as broad member diversity and a firm's hiring, evaluation, training and promotion policies concerning women and minorities.

(d) **Employee Relations**. The employee relations dimension examines socially human resource practices such as innovative employee involvement programs and profit sharing.

Together these capabilities can provide tangible and intangible resources that can provide the firm with a competitive advantage.

Outcomes of Corporate Social Performance

'Business for Social Responsibility' is a leading nonprofit global organization providing businesses with information, tools, training and advisory services related to integrating CSR in their business operations and strategies. Their research and experience concludes that companies have experienced a range of bottomline benefits including reference to the under-mentioned:

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- Increased sales and market share
- Strengthened brand positoning
- Enhanced corporate image and clout
- Increase ability to attract, motivate and retain employees
- Decreased operating costs
- Increased appeal to investors and financial analyst

Environment-friendly Companies in India

How important is the environment to you? What measures does Corporate India take to preserve the environment? Which are the greenest companies in India?

Industrialization is good for any economy, but it is not without vices. Deterioration of the environment is one of the major setbacks. Fumes and other wastes generated from factory plants pollute the environment. Besides, several companies don't follow proper waste disposal methods.

With time, thankfully, the environment protection laws in India have become stringent and companies have also become more conscious of their duty towards preserving the environment. Several companies have installed eco-friendly plants and adopted practices that will benefit the environment.

What is a green company? Common characteristics of green companies are:

- Use natural gas for boiler fuel.
- Recycle biodegradable waste.
- Minimum use of plastic material; use recyclable packaging materials.
- Use biomass and solar radiation as sources of renewable energy.
- Generate electricity from hydroelectric plants.
- Reduce toxic emissions, etc.

A survey conducted by BT- AC Nielsen ORG-MARG, ranked Oil and Natural Gas Company (ONGC) the greenest company followed by Reliance Industries. Overall, the oil and petroleum sector was considered the greenest sector in India. BPCL, Castrol India and HPCL are other companies in this sector that were rated green companies in the survey. The private sector companies were in a majority (13 out of 20) in the list of Top 20 greenest companies in India.

India's software companies are also considered green companies since they don't harm the environment and therefore, are allowed to set up their offices within the city limits. Johnson and Johnson Ltd., Chillibreeze, IBM, LG Electronics, PNB, Tata Motors and Hero Honda Motors are some of the other green companies in India.

Role of Government

In the modern world, no country can achieve sustained social and economic growth only on the basis of the economic activities of the private sector. Hence, governments the world over participate in economic and social development. The change in the ideology of people, their growing social consciousness and the realization of the social and economic evils of mal-distribution of income and wealth have drawn attention to the need of directing economic growth in a manner that would bring about, not only increased production, but ensure more equitable distribution of the larger output. Egalitarian measures have, therefore, been called for, and regulation of economic mechanism has become necessary to ensure social justice and equality. The Government of India embarked on a strategy to relieve infrastructure bottlenecks both, by creation of additional capacities in various sectors and also took initiative to induce much better capacity utilization. The strategy is to encourage both private and public provision of structure services in a competitive environment and with a transparent regulatory framework.

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ISO 26000 Guidance Standards on Social Responsibility

The aim is to provide 'harmonized, globally relevant guidance based on international consensus', and to 'so encourage the implementation of best practice in social responsibility worldwide'. It will not be a management standard, not intended to be used for certification purposes, more of a first steps to social responsibility for all organizations of all sizes and across all sectors. From a global perspective, it has taken the very biggest picture approach ensuring strong consistency with all associated standards and existing guidance including, International Labour Organization, UN Global Compact, OECD and many others perspectives.

ISO 26000 aims to be as holistic as possible with no specific responsibility focus area. The seven core principles covered are respect for:

1. human rights
2. transparency
3. accountability
4. ethical behaviour
5. respect for stakeholder interests
6. respect for rule of law and
7. Respect for international norms of behaviour.

If an organization were to fully consider each of these seven principles it would be working beyond the majority understanding of terms such as Corporate Social Responsibility and Sustainable Development. In practical terms, the guidance aims to complement tools existing as a reference document to provide clarity, continuity and better awareness.

SOCIAL AUDIT

The discussion on Corporate Social Responsibility and the role of Government raises the question of how social programme should be audited. Social Audit is a process for evaluating, reporting on, and improving an organization's performance and behaviour, and for measuring its effects on society. Social audit can be used to produce a measure of the social responsibility of an organization. It takes into account any internal

CSR Activities: Aditya Birla Group

The footprint of the Aditya Birla Group's social work straddles over 3,700 villages, reaching out to more than 2 million people annually. Its community work is a way of telling the people among whom they operate that 'we care'. Strategy projects are carried out under the aegis of the 'Aditya Birla Centre for Community Initiatives and Rural Development', led by Mrs. Rajashree Birla. The Centre provides the strategic direction and the thrust areas for all work, ensuring performance management as well.

The Group's focus is on the all-round development of the communities around their plants, located mostly in distant rural areas and tribal belts. All their Group companies--Grasim, Hindalco, Indian Rayon, Indo Gulf and UltraTech--have Rural Development Cells which are the implementation bodies. Projects are planned after a participatory need assessment of the communities around the plants. Each project has a one-year and a three-year rolling plan, with milestones and measurable targets. The objective is to phase out their presence over a period of time and hand over the reins of further development to the people. This also enables them to widen their reach. Along with internal performance assessment mechanisms, their projects are audited by reputed external agencies, who measure it on qualitative and quantitative parameters, helping them to gauge the effectiveness and providing excellent inputs/feedback.

Aditya Birla Group's partners in development are government bodies, district authorities, village *panchayats* and the end beneficiaries—the villagers. The Government, in its Five Year Plans, has earmarked special funds for human development and the Aditya Birla Group's recourse to many of these. At the same time, the Group networks and collaborates with like-minded bilateral and unilateral agencies to share ideas, draw from each other's experiences, and ensure that efforts are not duplicated. At another level, this provides a platform for advocacy. Some of the agencies that the Group has collaborated with are UNFPA, SIFSA, CARE India, Habitat for Humanity International, UNICEF and the World Bank.

Focus areas are rural development activities, which span five key areas and our single-minded goal here is to help build model villages that can stand on their own feet.

Source: http://www.adityabirla.com/social_projects/downloads/csr_brochure.pdf sourced on 01Jan 10.

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code of conduct as well as the views of all stakeholders and draws on the best practice factors of total quality management and human resource development. Like internal auditing, social auditing requires an organization to identify what it is seeking to achieve, who the stakeholders are, and how it wants to measure performance.

Social auditing has been defined by Bauer and Fenn, Jr.[19] as a 'commitment to systematic assessment of and reporting on some meaningful, definable domain of the company's activities that have a social impact.'

Gandhi's Philosophy of Sarvodaya

Gandhi's theory of *Sarvodaya* places him within the broader movement begun in the late eighteenth century when many thinkers, influenced by the West, started revitalizing Indian tradition for the modernization of Indian society. They had a critical look at their traditions and reinterpreted the values of Indian society. Over time, they rejected certain aspects and gave importance to certain others. Gandhian concepts like *Sarvodaya* and *Satyagrah* are products of the Gita and Upanishads. The two constituent terms in *Sarvodaya* are *sarva* (all) and *uday* (rising). The literal translation of *Sarvodaya* would then be the rising of all. This rising has physical and material dimensions, but at its base, it is spiritual enlightenment that brings about changes in physical and material aspects. Gandhi translated *Sarvodaya* as the welfare of all, which would be the result of enlightenment.

Sarvodaya is a part of Indian linguistic traditions but Gandhi brought them to a higher level by providing universal meanings. He constructed the theory of *Sarvodaya* out of his own experience. His western education abroad gave him a chance to closely observe the different facets of capitalism.

Western capitalism breeds consumerism and accumulation of private capital. On the level of political thought, the individual remains as the centre of political constructs. With needs of a community and society getting ignored, Gandhi turned into a strong critic of capitalism. Instead, he propounded a theory of social capital. He accepted the basic underlying principle of capitalism is the question of human labour since individual labour creates capital. But capital has a social utility as well and society has a right over the individual capital. On the level of distribution, market should have a restricted role.

Human consciousness too has a role to play here. An individual, because of a higher level of consciousness, allows the community to use one's own property but must ensure that human initiative is not lost. Gandhi also reconstructed the concept of private property. He said that one can have private property but it should be utilized for societal needs. Individual needs need to be restricted to the minimum. On economic equality, Gandhi says:

"Working for economic equality means abolishing the eternal conflict between capital and labour; it means the levelling down of the few rich in whose hands is concentrated the bulk of the nation's wealth on

Role of Government in the Indian Perspective

In the Indian perspective, social responsibility obligation is expected from the King to his subjects (Rig-Veda 1–8). Vedic literature emphasizes that the role of the king or the accumulator of wealth is to ensure the welfare of the subjects (stakeholders) and, in return the king will grow as the Sun grows and shines at dawn and after it rises. It is further expressed that whatever is given to society gets returned after being multiplied several times (Rig-Veda et al.). The king or the leader and leadership are considered to be the key necessity for the state or organization. Even Sri Krishna stressed the importance of leaders to Arjuna in the Bhagavad Gita Manu and Shukracharya also echoed similar opinions. Manusmriti states that when the world was without a king and people ran about in all directions out of fear, the Lord emitted a king in order to guard this entire realm. In modern day business philosophy, promotional and public relations strategy adds value to the customer perception of the organization, goods and services. Therefore, the firm maximises its ability to create value to the business.

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Social Objectives of Eleventh Five Year Plan (2007–12)

1. Income and Poverty
   - Accelerate GDP growth from 8 per cent to 10 per cent and then maintain at 10 per cent in the 12th Plan in order to double per capita income by 2016–17.
   - Increase agricultural GDP growth rate to 4 per cent per year to ensure a broader spread of benefits.
   - Create 70 million new work opportunities.
   - Reduce educated unemployment to below 5 per cent.
   - Raise real wage rate of unskilled workers by 20 per cent.
   - Reduce the headcount ratio of consumption poverty by 10 percentage points.
2. Education
   - Reduce dropout rates of children from elementary school from 52.2 per cent in 2003–04 to 20 per cent by 2011–12.
   - Develop minimum standards of educational attainment in elementary school, and by regular testing monitor effectiveness of education to ensure quality.
   - Increase literacy rate for persons of age seven years or above to 85 per cent.
   - Lower gender gap in literacy to 10 percentage point.
   - Increase the percentage of each cohort going to higher education from the present 10 per cent to 15 per cent by the end of the plan.
3. Health
   - Reduce infant morality rate to 28 and maternal mortality ratio to 1 per 1000 live births.
   - Reduce total fertility rate to 2.1.
   - Provide clean drinking water for all by 2009 and ensure that there are no slip-backs.
   - Reduce malnutrition among children of age group 0–3 to half its present level.
   - Reduce anemia among women and girls by 50 per cent by the end of the Plan.
4. Women and Children
   - Raise the sex ratio for age group 0–6 to 935 by 2011-12 and to 950 by 2016–17.
   - Ensure that at least 33 per cent of the direct and indirect beneficiaries of all government schemes are women and girl children.
   - Ensure that all children enjoy a safe childhood, without any compulsion to work.
5. Infrastructure
   - Ensure electricity connection to all villages and below poverty line households by 2009 and round-the-clock power.
   - Ensure all-weather road connection to all habitation with population 1000 and above (500 in hilly and tribal areas) by 2009, and ensure coverage of all significant habitation by 2015.
   - Connect every village by telephone by November 2007 and provide broadband connectivity to all villages by 2012.
   - Provide homestead sites to all by 2012 and step up the pace of house construction for rural poor to cover all the poor by 2016–17.
6. Environment
   - Increase forest and tree cover by 5 percentage points.
   - Attain WHO standards of air quality in all major cities by 2011–12.
   - Treat all urban waste water by 2011–12 to clean river waters.
   - Increase energy efficiency by 20 percentage points by 2016–17

the one hand, and the levelling up of the semi-starved naked millions on the other. A non-violent system of government is nearly an impossibility as long as the wide gulf between the rich and the hungry millions persists."

Restriction of individual needs has an ecological dimension. Expansion of one's needs is tasking on the ecology as ecological dislocation is a violent act against other species. Gandhi had high regard for other living beings and was concerned about the ecology. Thus, he advised restriction of human needs to the minimum. He believed that vegetarianism will not harm the ecology much. Similarly, the emphasis on wearing *khadi* was a part of his philosophy which also suits the needs of human ecology.

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Dislocation on global ecology "starts when individual needs go on expanding". As a result, ecological disturbances affect the society negatively. Moreover, human consciousness must grow in a binary model of self and the other. In relating to others, enrichment of soul is possible. Serving others is a moral duty of every individual. Moreover, creation of poverty is the result of the individual's hunger for wealth. Service to the poor is service to God. Old Indian civilization stressed on *Daridranarayan Seva*.

Sarvodaya society has space for industrialization and technological advancement, but it should not go beyond human control, nor should it destroy the ecological basis of a society. Advancements should not disturb the village society, which is described as the soil of India. Industrialization leads to concentration of economic power, which cuts at the roots of democracy since it helps a small minority who can sabotage the institutional basis of a democracy. Gandhi opposed this centralization of economic power in rural India. Distribution of land was an economic and political programme for Gandhi.

SUMMARY

In this chapter, we have studied the concept of 'external environment', which is an important consideration as it attempts to understand the institutions it supports. Some authors also refer to it as 'macro' and 'micro' environment. '*Macro'* or *'Remote'* Environment is composed of set of factors which are generally beyond the control of the firm, such as political, social, technological and international. *'Micro' or 'operating'* also known as task environment involves factors that can be influenced and controlled by the firm. Both Macro and Micro factors have direct bearing on the operations of an Industry. Recently Government of India did not give clearance to some mega projects as these may result in ecological imbalance in the particular areas.

Industry has of late started taking social responsibility. It has been found that the CSR activities have benefited the company as the products have been promoted better. This is more akin the Gandhian concept of 'Sarvoudya'. Indian government is actively participating for all round development and has elaborated on social objectives in the 11th Five Year Plan.

KEY TERMS

Corporate social responsibility
Corporate social performance
Ecological balance
Environment
Environmental scanning
Green
Social audit

REVIEW QUESTIONS

1. Describe the meaning of 'environment' and 'environmental degradation'.
2. Discuss any two environmental problems.
3. Explain 'sustainable development'.
4. Outline the various efforts made by the Indian Government towards creating a better natural environment.
5. Write an essay on Gandhi's Idea of Sarvodaya.
6. Define CSR, state its importance, its advantages and disadvantages.
7. Environment issues have taken central stage internationally. According to you, what are critical issues for India and why?
8. CSR has been taken up by industry. Do you think companies should be involved in CSR? Discuss the merits and demerits of company's participation in CSR.

FURTHER READINGS

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CHAPTER ELEVEN

Ethics and Human Values

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- What are ethics
- Levels and tools of ethics
- Applying ethics
- Accountability
- Human values and their meaning
- Ethics in management
- International business ethics
- Whistle-blowing

A growing body of evidence indicates that deep-rooted changes in world views are taking place. Contact, communication, and conflict between multiple cultures are the rule; the achievements of science and technology are so huge that it is difficult to base our idea of our future on the basis of our past. Industrial society is a society formed and developed around an industrial plant and is no exception in this changing world. An industrial plant is a large machinery production facility which performs the central function in the production of goods. An industrial plant, with its technical, administrative and economic rationalization, is not only a means but implies an attitude and social behaviour. Industrial society also calls for application of moral principles, and a respect for human values.

Modern science and industry is the product of rationality in facts, sound reasoning, and trust in others, a critical attitude towards oneself and evidence. Science brings with it values of 'prudence, humility and deference to fact'.

There are strong grounds for arguing that changes in values are key to understanding social change. Values play an important role in legitimizing social, political and economic institutions and practices.[1] The concerns have broadened and it now includes the basic ethical question, 'How should we live in relation to each other'?

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Photostatting: Ethics, Responsibility and Copyright Laws

Every major college and university in India has a photostatting shop round the corner. In the United States, they have the famous KINKO® copy centres where people throng at all hours of the day. If you travel down Nai Sarak in Chandni Chowk, Delhi, there are professionals who photostat, transmit documents and books, and are always busy with students, parents and professionals. They offer an entire gamut of services--desk top publishing and copying, free access to staplers, tape, paper cutters, fax, and rubber cement for sale.

These shops even create custom-made study booklets for students, taking information from various textbooks. This practice calls for question of copyright. Most, of it not all, are already published work and are not copied legally. A copyright is something of value, even though the copyright protects 'intellectual property' as opposed to 'real property.' Of particular concern is the out-of-print works as owners of the copyright on such works rely exclusively on royalties for financial returns on their investments.

The changes that are taking place can be viewed as a uniquely western process. The Indian and other non western societies could be seen as abandoning or modifying their traditional cultures and assimilating technological and western ways. The core concept of modernization remains valid i.e., 'Industrialization produces pervasive social and cultural consequences, from educational level to changing gender roles. It is seen as the central element of modernization process that affects most other elements of society'.

World Value Surveys

The World Value Surveys measure values and beliefs of people acorss the six inhabited continents. The survey has detected systematic changes in values and motivations, which also reflect economic and technological changes.

1. It demonstrated the fact that as economic development takes place, human life expectancy rises.
2. Human happiness also shows strong linkages with economic development although social culture also plays a part in satisfaction.
3. Societies in early stages of industrialization have a major impact on subjective well-being and economic growth at any cost, but as industrialization takes place they emphasize quality of life.
4. Though economic development is essential, society is willing to give environmental protection priority.
5. Modern society is moving towards sexual norms that give wider latitude for individual sex gratification and individual self expression.
6. Religious orientations are changing. In industrial society, there is a declining acceptance of rigid religious norms. However, there is no decline in spiritual concerns but rather a redirection in them.
7. The established political parties are losing their ability to bring out voters, but elite-challenging political actions are steadily rising.

Source: Extracted and modified from Ronald Inglehart, (2000), 'Globalization and Post Modem Values', *The Washington Quarterly*, Winter, pp. 215–228

CHANGES IN SOCIETY AND THEIR IMPACT ON HUMAN VALUES

Four elements of contemporary society combine and interact to make the system unique, dynamic and outreaching.

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(a) Science: It operates at theoretical level, within a highly refined conceptual framework. Scientific outlook comes to be assimilated into secular culture and thus encourages, control by man over the conditions of his life. Inglehart and Baker[2] find evidence that orientations have shifted from 'traditional' towards 'secular-rational' values, in almost all industrial societies. But modernization, is not linear;when a society has completed industrialization and starts becoming a knowledge society, it moves in a new direction, from 'survival values' towards an increasing emphasis on 'self-expression values'. Conant finds "The heavily industrialized society rests upon the foundations of theoretical science'." What is unique is the working partnership between modern science and modern industry.

(b) Mass production: Mass production is of adynamic nature as modern industry calls for greater capital investments, greater productive efficiency and increased output.

(c) Professionally trained industrial leaders: It represents the way of thinking. The new races of men working in industry are professionally educated; are equipped with managerial skills to deal with any complexity; have growing understanding of human behaviour in the industrial setting and come with better techniques and open mindedness which facilitates working in teams and collaboration.

(d) Competition: It underlies and invigorates the whole operation of industrial society. The magazine *Factory* properly describes their attitude as "galloping dissatisfaction", as these people are so constituted by their education that 'they are never content'. A dynamic drive towards constant improvement is being fed into the blood of those responsible for the management of industrialized society. Fair competition produces an invigorating climate for industrial activity because essentially, competition is a drive towards excellence.

The rash of scandals has provoked widespread public and shareholder protest, and induced regulators and legislators to pass measures. Everyday, newspapers are filled with news of corporate scandals, politicians acquiring wealth disproportionate to their known sources of income, spurious goods in markets, overcharging, influence peddling, unfair trade practices, short selling, etc. Many persons have avoided action by just saying, 'It is *Kalyug* and there are 'ethics crises'.

Demand for broad-based accountability has grown exponentially over the past decade. Business has begun to respond with greater transparency, but society wants more. The demand is for more than financial accountability; companies are asked to open up about their 'sustainability'-related impacts, while separately, demand to improve performance related to those impacts has also grown. Initiatives such as the UN Global Compact and the OECD Guidelines for multinationals show how companies are being held to account more formally than ever before, on a global basis.

The environmentalist movement attaches particular importance to the need for fundamental changes in values if mankind is to survive.

India's unique contribution to history in this age of machines and experts can be a free society in which hopes and aspirations of a large part of our population find enduring satisfaction through outlets once reserved only for a small minority.

Even with new safeguards, who trusts business to do the right thing? Not many, as surveys such as Globescan's demonstrate.Across 20 countries at the end of 2003, non-governmental organizations (NGOs) were once again the most trusted bodies, and global companies the least.

ETHICS AND VALUES

Ethics can be broadly stated as the 'study of how our decisions affect other people. It is the study of individual's rights and duties, the moral rules that people apply in making decisions, and the nature of relationships among

The United Nations Global Compact

Origin/rationale

- Announced at World Economic Forum (WEF) in Davos in 1999 and launched in 2000 at the UN Headquarters in New York as a response to concerns about the adverse effects of globalization.
- Derived from Universal Declaration of Human Rights, Fundamental Principles of Right at Work, and Rio Principles on Environment and Development.

Purpose

- Creation of a more sustainable and inclusive global economy by fostering a more beneficial relationship between business and societies, paying particular attention to the world's poorest people through the following measures:
- Making the Global Compact and its principles part of business strategy and operations around the world.
- Facilitating cooperation among key stakeholders and promoting partnerships in support of UN goals.
- Seek to add new dimensions to good corporate citizenship by creating a platform – based on universally accepted principles – to encourage innovative new initiatives and partnerships with civil society and other organizations.

Governance/Institutionalization

- Network-based initiative of the UN Secretary General.
- At its core are the Global Compact Office, the Advisory Council and five UN agencies UNEP, ILO, UNHCHR, UNIDO and UNDP.
- Multi-stakeholder network involving relevant social actors such as governments, companies, labour, civil society organizations, and the United Nations.

Funding

- Does not receive core funding from the UN as it is a network, not a traditional UN agency.
- Is not permitted to accept corporate donations.
- Voluntary contributions from national governments (e.g. Denmark, France, Sweden etc.) to cover core funding through a trust fund totalling US$1.5 million by 06/2003.
- To secure further funding, it has been proposed to allow individuals to donate.

Operationalization

- Purely a voluntary initiative.
- The Global Compact is freely available on a non-proprietary basis.
- Offers facilitation and engagement through several mechanisms:
  - Policy Dialogues
  - Learning
  - Local Networks
  - Partnership Projects (e.g., Unilever will champion female entrepreneurs in India to try to eliminate discrimination (Principle 6) and empower women (Millennium Goal 6)).
- To assists users, a suite of associated generic support tools are available such as a:
  - Primer
  - Comprehensive guide
  - Performance model
- Learning forum (in particular, case studies submitted by signatories in 2004 focuses on human rights). A 'resource handbook' is currently being developed for publication in mid-2004, which will include further clarification to that issued in August 2003 on the relationship and difference between the Compact, Millennium Goals, and new UN Human Rights Norms for Business.

Rigor of obligation

- Not a regulatory instrument as it does not "police", enforce or measure the behaviour or actions of companies. However, use of the Compact image by signatories is restricted in accordance with 'UN Business Guidelines' www.un.org/partners/business/otherpages/guide.htm
- Relies on public accountability, transparency and enlightened self-interest to initiate and share substantive action in pursuing the principles upon which the Global Compact is based.
- Designed to stimulate change and to promote good corporate citizenship and encourage innovative solutions and partnerships.
- To participate, a company sends a letter from the CEO to the Secretary-General expressing support and is expected to:
  - Set in motion changes in operations so that the principles become part of strategy, culture and day-to-day operations.
  - Publicly advocate the Compact via communications vehicles.
  - Publish in its annual report a description of ways in which it supports the principles.

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Contd.

Users

- Primary target audience is individual businesses. Nearly 1,200 companies (such as ABB, Eskom, and Rio Tinto) signed up by 07/2003 (50 per cent from developing countries and 30 per cent SME's).
- Governments, civil society entities, trade union bodies, academia, and business associations participate as project or network 'partners'. These include for example Amnesty International, International Chamber of Commerce, and the International Confederation of Free Trade Unions.

UN plans to report, for the first time, on its own progress in voluntarily adhering to the principles across two key functions, human resources and procurement.

people'.[3] Business ethics look at the behaviour standards promoted by organizations inside the organization and externally in relation to marketplace dynamics, host societies and increasingly, the natural environment.

Values are broad cultural principles that most people in society consider desirable. Values are so general that they do not specify precise ways of thinking, feeling, and behaving. They are permanent desires that seem to have a universal application to be good by themselves, like honesty, truthfulness, peace etc. Kluckhohn, C. et. al.[4] defines value as "a conception, explicit and implicit, distinctive of an individual or characteristics of a group, of the desirable, which influences the selection from available modes, means and ends of action." In this definition, the authors have emphasized the affective (desirable), cognitive (conception), and cognitive (selection) elements as essential to the concept of value.

Values are less cognitive and more affective and tend to be relatively enduring. Values represent basic conviction that a specific mode of conduct or end state of evidence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence.[5] They are generally acceptable to society as a whole or a section of the society as preferred 'modes of conduct' or 'end states'.

Values have a tremendous influence on social behaviour, mainly because norms are based on it.

Ethical Values relevant to public officials

Integrity
Service
Transparency
Confidentiality
Honesty
Service to others
Fairness
Respecting the law
Reliability
Efficiency
Effectiveness
Responsiveness

Professional Values

All professions have value preferences that give purpose and direction to their practitioners. Professions espouse selected societal values. Society, in turn, sanctions the activities of the professions through supportive legislation, funding, delegation of responsibility for certain social functions, and mechanism for ensuring that those functions are adequately discharged.

POLICY DEMANDS

Industrialization brought the business class to power and facilitated the emergence of elite level norms crucial to democracy. It also led to the emergence of a large middle-class. Industrialization, for its sustenance, needs a large educated labour force, a requirement can only be met through literacy. Establishment of labour unions and mass political parties is the result of a literate worker. Literacy has also facilitated enfranchisement of a growing share of the public; and more active intervention in political decision-making. This leads to the emergence of norms and attitudes among people.

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Five Sources of Ethical Standards

The Utilitarian Approach

Some ethicists emphasize that ethical action is one that provides the most good or does the least harm, or, to put it another way, produces the greatest balance of good over harm. Ethical corporate action, then, is the one that produces the greatest good and does the least harm for all who are affected--customers, employees, shareholders, the community, and the environment. The utilitarian approach deals with consequences; it tries both, to increase the good done and to reduce the harm done.

The Rights Approach

This approach comes from the belief that humans have a dignity based on their human nature per se or on their ability to choose freely what they do with their lives. On the basis of such dignity, they have a right to be treated as ends and not merely as means to other ends. The list of moral rights, including the rights to make one's own choices about what kind of life to lead, to be told the truth, not to be injured, to a degree of privacy, and so on, is widely debated; some argue that non-humans have rights, too. Also, it is often said that rights imply duties, in particular, the duty to respect others' rights.

The Fairness or Justice Approach

Ethical actions treat all human beings equally, or if unequally, then fairly based on some standard that is defensible. We pay people more based on their harder work or the greater amount that they contribute to an organization, and say that is fair. But there is a debate over CEO salaries that are hundreds of times larger than the pay of others; many ask whether the huge disparity is based on a defensible standard or whether it is the result of an imbalance of power and hence, unfair.

The Common Good Approach

This approach suggests that the interlocking relationships of society are the basis of ethical reasoning and that respect and compassion for all others, especially the vulnerable, are requirements of such reasoning. This approach also calls attention to the common conditions that are important to the welfare of everyone. This may be a system of laws, effective police and fire departments, health care, a public educational system, or even public recreational areas.

The Virtue Approach

A very ancient approach to ethics is that ethical actions ought to be consistent with certain ideal virtues that provide for the full development of our humanity. These virtues are dispositions and habits that enable us to act according to the highest potential of our character and on behalf of values like truth and beauty. Honesty, courage, compassion, generosity, tolerance, love, fidelity, integrity, fairness, self-control, and prudence are all examples of virtues. Virtue ethics asks of any action, "Is this action consistent with my acting at my best?"

An industrialized society thus, makes inexorable demands for public and private policies. "Trust in government is increasingly an issue of concern everywhere. Ordinary citizens experience 'government' and 'employees' experience management of their plant through their interactions with people holding various appointments. Government and industry need to be certain that their people at all levels are meeting the expected standards of ethical conduct. Conflicts of interest, misconduct, abuse of position, breach of fiduciary duty, negligence, criminal acts, corruption, and whistle blowing are just the beginning of a long list of risk areas which must be managed. The government and non-government organizations and management have to have value-based policy which demands:

(a) The requirement of industrialized society is a continuous flow of high quality work force or 'people with ideas'. Competent youth must be identified at an early age and no economic or social barrier must prevent the maximum development of their abilities. The selection should be on merit as society demands excellence.

(b) Open road to the top calling for open non-stratified society which keeps open a roadway to the top for talented.

(c) Fair Competition, which stimulates the climate for good people to rival the best performance of others. In fair competition, there is a constant upward push towards excellence in performance.

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(d) Free Forum for ideas: For society to grow, there is a need for free forum for the discovery and discussion of ideas.

(e) Flow of dependable Income The stability of free society depends on the steadily increasing flow of income to people who spend money. The labour unions today are striving to ensure a steady flow of dependable income.

ORGANIZATIONAL VALUES

According to Dolan and Garcia[6], value-driven management is becoming an overall framework for the continual redesign of corporate culture. Harmon[7] reviews on three common characteristics, which values-driven leaders exhibit irrespective of the industry they work in:

(a) They lead by example

(b) They consistently champion the values and

(c) Their key decisions are values driven.

Järvensivu[8] defines value-driven management as a "process where an organization first determines the core values to follow and then implements various practices to increase value congruence in the organization.[9]" According to Collins and Porras,[10] core values are inherent and sacrosanct and so cannot be compromised either for convenience or for short-term economic growth. Four types of organizational values have been proposed by Dave and Woodcock:[11]

(a) Power, elitism, and reward.

(b) Effectiveness, efficiency, and economy

(c) Fairness, teamwork and law and order.

(d) Defence, competitiveness and opportunism

Good firms posses distinct and identifiable values that include both beliefs about superior quality of service, being the best and the importance of profit orientation and goal accomplishment. Table 11.1 lists the common institutional value framework or organizational values and the range of attributes that are depicted by it.

TABLE 11.1 Institutional Values Framework

Organizational Values	*Range of Attributes*	
1. Economic	Profit Drives	Socially drives
2. Information as symbolic	Policy Focus	Communicative
3. Control/ Power	Centralized	Distributed
4. Management Style	Participative	Autocratic
5. Locus of Decision Making	Decentralized	Centralized
6. Leadership Style	Informality	Formality
7. Communication Style	Open	Closed
8. Organizational Processes	Structured	Flexible
9. Task Coordination	Single way	Multiple alternatives
10. Impact on Work	Job Enrichment	Isolation
11. Focus of Work	Customer Focus	Internal Focus
12. Social Nature of Work	Participatory	Non-participatory
13. Team Behaviour	Cooperative	Competitive

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Most of the values listed above are easily identified within organizations. As value systems, clusters of similar value attributes often occur together within a focus organization, such as 'open communication, flexible process, participative management'. An attempt to produce generalized model negates the variety and range of values that might be incorporated. The strategic function of value should be to enhance the unique values systems that complement both strategy and organizational culture.

Values-driven leaders define values in the context of where they work, they set standards, first for themselves and then for their team. They try to search opportunities to link values and performance. At first the effort is conscious, but over time it becomes an unconscious habit.[12]

TRUST

Organizations depend on the trust of those who have a stake in them, be it shareholders, investors, employees, suppliers or trading partners. Trust is an expectation that another party will not allow you to be harmed at a time when you are vulnerable. Individuals who trust the people they work with are self-assured, open and honest, willing to take risks, less resistant to change, and inclined to act in a trustworthy manner. Trust is empowering, it is part of an organization's "social capital," and can be a very valuable intangible asset. Trust is fundamental to leadership during times of change and uncertainty. Leaders who have established trust among their followers are able to direct them with less resistance. Followers go above and beyond the call of duty for leaders they trust. Social capital promotes cooperation, commitment, extra effort, continuous improvement and information exchange, which can all help an organization survive and achieve a competitive advantage.

Interpersonal Trust

One of the basic attitudes is a sense of '**interpersonal trust'**. In *The Civic Culture*, Almond and Verba[13] concluded that interpersonal trust is a prerequisite to the formulation of secondary associations, which in turn, is essential to effective political participation in a large democracy. A sense of trust is also required for the democratic rules of the game, and the opposition must be viewed as loyal opposition. Large-scale enterprises and bureaucracies that make modern organizations depend upon predictable and reliable patterns of interaction between people who are total strangers, do not assume strangers as enemies. Since India has industrialized more recently, it still manifests the characteristics of traditional society of trusting only those whom one knows personally.

(a) Man is not a commodity and has intrinsic worth and dignity
(b) Freely trading international community
(c) Literate citizenry with civil courage.

PERSONAL MORALITY AND ETHICAL BEHAVIOUR

The idea of what is 'right' and 'wrong' are moral concepts. Every society subscribes to a core set of values that sets its moral compass and these become "unquestioned" values underpinning acceptable and unacceptable ways of behaving. Morals guide how people should behave and relate to each other. In western societies, moral code rests on equal recognition of other people's well-being and rights as well as our own. Our moral code has evolved, in particular, from the *Gita*, *Mahabharata* and *Ramayana*; and the teachings of Lord Krishna points out. Even today, our moral rules can appear as commands prefixed in terms of what one 'should' or 'ought' or 'ought not' to do.

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Turning Blind Eye

Most of us would be horrified at the idea of cheating a customer or selling bad quality goods, much less making money out of another person's suffering. But it happens all the time. We might engage ourselves in behaviours that are inconsistent with our own ethical values and take decisions we would condemn in others. And we regularly look the other way when others engage in ethically questionable behaviour on our behalf.

This happens when the manager tells his sales staff to "do what it takes" to achieve goals or get a client; or when you work for a company that outsources production to subcontractors with substandard hiring practices or environmental standards, or a company that 'gets creative' with business practices in order to retain a client.

According to Max H. Bazerman, Harvard Business School faculty member and his colleagues, scandals like Enron, WorldCom, and Satyam would not have occurred "if leaders and employees within these firms had taken note of the unethical behaviour of their colleagues rather than overlooking it." Bazerman, along with Carnegie Mellon business professors, Francesca Gino and Don A. Moore, set out to explore the reasons in a published paper titled *See No Evil: When We Overlook Other People's Unethical Behaviour*. Their elucidation of the subtle ways in which we can end up "on the dark side" should make all employers and employees sit up and take note.

First, there's something they call 'motivated blindness', which describes our tendency to overlook the unethical behaviours of others if it might not cause us harm. Auditors are a classic example, of people who can be in conflict between acting in their self-interest and acting ethically. So, when Price Water house audited Satyam, the pressure would have been huge to turn a blind eye to the behaviour of the company that paid them crores in fees. They were affected by 'motivational blindness'.

We also, it seems, are able to forgive others who benefit from delegating unethical behaviour, as seen in the case of the pharmaceutical company, "The public and press fail to condemn people and firms that use an intermediary to do their dirty work," the authors state.

What is the result of this type of behaviour?

Recent evidence shows that people who allow it, eventually grow comfortable with unethical behaviour, a condition the authors call 'change blindness'. If, for instance, someone manipulated pharmaceutical research in some small way and the drug that ended up in the market killed a number of patients, we would be quick to condemn them. But suppose the drug didn't kill anyone. In that case, we are much less likely to condemn the manipulation of the research that is why fake drugs flood the market.

Source: Adapted from STARPHOENIX, CanWest Media Works Publications Inc

Being ethical, as opposed to moral, is essentially about accepting our interdependence with each other and taking the other's needs into consideration before acting. When you try to apply this unwritten or unspoken code to the workplace, you have the potential for a disastrous mismatch of ideals and values.

Basic personal values in Indian society

India is made up of diverse groups and any one set of values is unlikely to receive universal support. The main values of Indian society are:

Democracy is the fundamental value for every Indian. Democracy, Amartya Sen said, makes three major contributions to a country. First, since political freedom is an important freedom, the freedom to participate, to speak and to vote is part and parcel of human freedom we have. Second, a democratic political system is instrumentally important, both, (1) because it gives the rulers the incentive to respond to problems and predicaments of the public (the government has to take note of opposition criticism as well as the possibility of electoral defeat), and (2) because information becomes more easily available and shared with democratic practice. Third, through allowing and encouraging public discussion, democratic political systems can help the formation of values.

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Spiritual underpinnings: Indian philosophy gives 'predominance to individuals'. There is belief in '*main Brahma hoon*'; every Indian seeks *moksha* from this cycle of birth and rebirth and strives inwardly to become complete or *poorn* (complete) and eventually seeks to go to heaven and get out of this *moh* and *maya*.

Collectivism: This 'collectivism' has made Indian society class conscious and divided in a caste, creed and hierarchy-based system, where some are superior to others. Most Indian leaders took up the path of **righteousness** which every religion talks of. They took up the cause of the downtrodden, gave them a voice; made a supreme sacrifice for the cause they believed in. For example, Rani of Jhansi was killed near Gwalior while fighting the British; Mahatma Gandhi was assassinated, Guru Gobind Singh lost his sons. Indian leaders shared the hardship with their followers and subscribed to simple and frugal living. Traditionally, Indians shun people who show wealth and power.

Followers in India show high loyalty to their groups, respecting harmony and thus, expressing loyalty to individuals, so that harmony is not violated. Indians are 'loyal to particular individuals' and would go out of the way to support them.

By and large, they believe in *Karma* and any failure or poor performance or result is shelved by stating that it is *karma* or destined to be so. They have little desire to change the status and restart or improve a situation, a result of which is that a large majority of people still live in difficult conditions. While those who are financially better- off continue to improve, the major mass just follows without exerting. This, however, has been changing primarily due a large middle class, which has left its village or areas and traversed the

Values in Indian Society

Several studies have been conducted on the values of Indian society. According to Narendar (2007), Indian society can be characterized by the following components and dominant values:

(a) Avoid Excesses: Manu gives elaborate treatise on 'why' and 'what' a King should do to the exclusion of 'how'. It focuses on the virtue of gentle, yet firm, behaviour by the leader. In *Manusmiriti,* Manu writes that the King should be just, should punish the deserving, must be judicious and fair, or else he would lose everything. Manu further writes that the King must exert to control his senses; for he alone can keep his subjects under control if he has control over himself. Excesses in life viz. *kama, krodh* do not help, but if the King considers each affair in a sharp and gentle manner, he would be respected.

(b) Indian philosophy gives 'predominance to individuals': Indians hold the belief, '*main Brahma hoon*'; every Indian seeks *moksha* from this cycle of birth and rebirth and strives inwardly to become complete or *poorn* (complete).

(c) Every Indian leader took up the 'path of righteousness': Most leaders in India shunned power and did not chase material goods. The Rig Veda has enunciated the principle: "Let man think well on wealth and strive to win it by the path of law *(ritasya)* and by worship." Indians attach importance to simple living and high thinking.

(d) The followers in India depict 'high loyalty to their groups', respecting harmony and thus expressing loyalty to individuals, so that harmony is not violated. Indians are 'loyal to particular individuals' and would go out of the way to support them. Also, there is a tendency to be near a power center.

(e) Indians, by and large, believe in *Karma* and any failure or poor performance or result is shelved by stating that it is *karma* or destined to be so. There is little desire to change the status and restart or improve a situation, and as a result a large number of people live in difficult conditions.

(f) Security. The *kutumb* (family) system of the early parent-child relationship of dependence results in a preference for security rather than venturing out, for comfort rather than risk.

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Egoistic Psychology of Personality: Graft at Official Duty

The most dangerous and amoral forms of abuse of official duty are different kinds of graft. It is detrimental to the moral health of society when honest relations between people change. For example, attitudes such as "You must give me something and after that I will give you something" or "Live well yourself and give another whereby to live well", etc. Under such conditions, very often, develops widespread time-serving, flattery and fawning which spawn plots, backbiting, envy, slander, the seeking of special advantage, etc. All these distortions of moral values have a common basis, namely, an egoistic psychology of personality. Distorted morality and ambition often create a bad moral atmosphere in labour teams. Today, as was the case even 100 years ago, there is conflict between people with different value orientations. Of course, the highest level of moral culture is not a panacea for all troubles and mistakes. But as a rule, moral culture determines the behaviour of persons and their attitudes and relationships with other people in society. Common values help people face complicated, extraordinary situations as active citizens and be patriots for their own nation.

land for better job opportunities. This shift of the population from the traditional jobs is due to an increase in education.

Indian families have a great impact on the type of leadership that emerges in India. Kanungo (1994) states:

> "Unconditional obedience by surrendering to authority is considered a virtue. Personal initiative, originality and independence in thinking and decision-making in every sphere of life meet with social disapproval. As a result, independent thinking and reasoning…diminishes." (Kanungo, 1994: 214).

Self-Expression

Self-expression values give high priority to environmental protection, tolerance of diversity and rising demands for participation in decision-making in economic and political life. These values also reflect mass polarization over tolerance of out-groups, including foreigners, gays and lesbians and gender equality. The shift from survival values to self-expression values also includes a shift in child-rearing values; from emphasis on hard work towards an emphasis on imagination and tolerance as important values to teach a child. And it goes with a rising sense of subjective well-being that is conducive to an atmosphere of tolerance, trust and political moderation. Finally, societies that rank high on self-expression values also tend to rank high on interpersonal trust.

Moral Values

Moral values are the standards of good and evil, which govern an individual's behaviour and choices. An individual's morals may derive from society and government, religion, or self. When moral values derive from society and government they may change as the laws and morals of the society undergo a change. An example of the impact of changing laws on moral values may be seen in the case of marriage vs living together.

Moral values also derive from within one's own self. A person may, under any given set of circumstances, decide to do what is forbidden, but eventually, individual moral values will produce guilt.

Religion is another source of moral values. Most religions have built-in lists of dos and don'ts, a set of codes by which its adherents should live. Individuals who are followers of a particular religion will generally make a show of following that religion's behavioural code.

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Chakraborty Framework

Chakraborty is a strong advocate of Indian society and values. He says that learning and understanding Indian values is possible by examining the traditional philosophical repertoire of knowledge. According to him, Indian values are anchored in the transcendental aspect of human existence. Some values which are core to Indian socio-cultural ethos are respect for individuals, cooperation and trust, work as worship, containment of greed, ethical-moral boundaries, self discipline, and restraint, need to give, renunciation and detachment.

Sources: Chakraborty, S.K. (1991), Management by Values, Delhi: Oxford University Books.

Chakraborty, S.K. (1995a), Human Values for Managers, Delhi: Wheeler Publishing Co.

Chakraborty, S.K. (1995b), Ethics in Management, Delhi: Oxford University Press.

SOCIETAL VALUES

Values are dependent on society and vary from country to country and region to region. Values do not operate singly; several values interact with each other to form value systems or value orientations. Most conceptual frameworks propose such systems. Some of the values in industrial society, which need emphasis, are discussed in the following paragraphs.

Rights and Duties

Hohfeld,[14] a legal philosopher, emphasized the relationship between rights and duties and also the difference between 'right' and 'privilege'. He said that there cannot be a right without a duty as right in one person presupposes a duty in another. The concept of a right without a duty is meaningless. Likewise, he also distinguished between rights and privileges. A privilege is available on sufferance. It is a discretion vested in the person granting it whereas a right is an entitlement. As per this explanation, what are commonly called rights to employment, welfare, etc., are not really rights. A right to employment is meaningless because there is no person who is under a duty to employ. Similarly, welfare is not a right. It is a privilege which is given to certain persons.

Human Relationships

Aristotle, in Nicomachean Ethics, Book VIII writes,

> "... friendship ... is a virtue or implied virtue, and is, besides, most necessary with a view to living. For, without friends, no one would choose to live, though he had all other goods; even rich men and those in possession of office and of dominating power are thought to need friends most of all; for what is the use of such prosperity without the opportunity of beneficence, which is exercised chiefly and in its most laudable form towards friends? Or how can prosperity be guarded and preserved without friends? The greater it is, the more exposed is it to risk."
>
> "And in poverty and in other misfortunes, men think friends are the only refuge. It helps the young, too, to keep from error; it aids older people by ministering to their needs and supplementing the activities that are failing from weakness; those in the prime of life, it stimulates to noble actions-'two going together'-for with friends, men are more able both to think and to act...

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> Friendship seems to hold states together, and lawgivers to care more for it than for justice; for unanimity seems to be something like friendship, and this they aim at most of all, and expel faction as their worst enemy; and when men are friends they have no need of justice, while when they are just, they need friendship as well, and the truest form of justice is thought to be a friendly quality."

The story of India and the world of the past 50 years has been a story of the declining emphasis on personal relationships, a declining importance attached to being part of a family, a neighbourhood, a community, a declining awareness of shared culture. Aristotle's discussion of friendship in the *Nicomachean Ethics* is, in fact, a treatise on the moral and social importance of human relationships. They are no less important to community life in India at the end of the twentieth century. Personal relationships are the only channels through which we ever really communicate with each other; we gain some understanding of who we are. People in mutually supportive relationships arguably are more likely to be happy, content and emotionally secure, and as a result, are more likely to be socially responsible and productive citizens.

Common Morality

Common morality is a framework or systems that help individuals decide what to do when faced with a moral problem, but within limits, it allows for divergent answers to most controversial questions.[15] Common morality is the moral system that rational persons use, usually implicitly, when making their moral decisions and judgments. It not only explains the overwhelming agreement concerning most moral decisions and judgments but also explains why there is some un-resolvable moral disagreement.[16] Immoral behaviour has been prohibited by every society for thousands of years.

Promise Keeping

Promises refer to a commitment to, or an assurance for, some future course of action such as providing the promise recipient with some benefit.[17] Research on the antecedents of psychological contracts has demonstrated that promises can come from a variety of sources including organizational agents (e.g., recruiters, managers), actions (e.g., training, praise), [18] and documents.[19] Years of research suggest that the promises organizations make to employees matter in establishing and maintaining a 'psychological contract' between the two parties. Breach of promise damages employees' trust in the organization, which leads to a host of negative affective, attitudinal, and behavioural reactions toward the organization.[20]

Non Malevolence

The principle of non malevolence espouses the ideal of not harming anyone. To ensure we do not harm we must take into account an individual's culture and beliefs. Non malevolance is a negative principle—it emphasizes what we should not do.

Mutual Aid

One of the crutches of society has been the large number of non-government organizations working for a cause or to aid one another. The purpose of industrial society is to capture and harness this power of collective participation for their own satisfaction; networks of people participating for no reason other than to assist one in distress. It is this that will ultimately uplift society.

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Respect for Persons

Central to ethics is the claim that all persons are owed respect just because they are persons, that is, free rational beings. To be a person is to have a status and worth that is unlike that of any other kind of being: it is to be an end in itself with dignity. And the only response that is appropriate to such a being is respect. Respect (that is, moral recognition respect) is the acknowledgment in attitude and conduct of the dignity of persons. Our fundamental moral obligation is to respect persons. Morally right actions are those that express respect for persons as ends in themselves while morally wrong actions are those that express disrespect or contempt for persons by not valuing them as ends in themselves.[21]

Mutual Aid: Tsunami

When the tsunami struck the eastern coast of India, I was away in Kashmir. It was impossible to get any clear picture of what was happening from the news media. They depicted full societal breakdown, the war of all against all--total destruction.

There couldn't be a bigger contrast with the stories I got later from those who were actually there. While mayhem and fear certainly existed, so did an amazing collective will towards cooperation. An acquaintance told of the excitement and camaraderie among a group of friends and neighbours stranded by floodwaters on the second floor of an apartment complex. They rescued cattle and made sorties by makeshift rafts to bring food, water to people awaiting rescue. "It was among the best days of my life," he told me with no irony.

In the two years since the storm, recovery has been agonizingly slow. The failures of government are endless. The strength of people banding together to help each other, however, has been the one bright spot. I have seen that dozens of new neighbourhood organizations have come up–people helping each other with rebuilding, planning, and expressing their political voice. I've seen it in the efforts of hundreds of newcomers – dubbed volunteers and NGOs– who had arrived there to clean up, educate, feed, offer health care, create job opportunities, and organize people to help them. And I've seen it on the block where my friends lived, where neighbours have become friends.

Community is a neutered word these days. In the stale intellectual landscape of contemporary politics, there are two opposing loci of control from which large-scale solutions to social problems are thought to flow. Liberals idolize the government while conservatives, individual interest. Neither side has much to say about cooperative power beyond the utterly platitudinous.

But human societies have always nurtured, and been nurtured by, a third type of institution. In the East, for over 100 years, there have been *panchyat* and *chaupals*. These are the neighbourhood meeting places, cementation, and musicians that string their stuff whenever it's time for a party.

India has strong traditions of mutual aid. Beginning in southern India around 800 AD, a network of merchants' societies known as the *Ayyavole 500,* spread as far as Sri Lanka, Burma and Sumatra. The merchants agreed to cooperate and abide by a *dharma*, or code of conduct that ensured honour both, within the group and with outsiders. They sponsored trade fairs and maintained good relations with their local communities through philanthropic activities and tribute. The Ayyavole name was adopted far and wide for over 500 years; it became a 'brand' associated with high quality products and fair dealings.

Whether guild or labour union, religious or ethnic society, producer or consumer cooperative, crew or brotherhood or club, these are the people's bastions of power. Over the past three decades they've played a vanishing role in the life of the average Indian. Now is the time for that to change.

Mutual aid societies prefigure most functions of the modern state. They're at least as old as armies, but their mission is life, not death. For millennia, people have banded together to provide each other with health care, pensions, unemployment aid, investment capital, buying power, aid to the poor, disaster relief, old age care, child care, culture, entertainment, political efficacy, education, food, shelter and livelihoods. They have also leveraged their numbers to elicit some of these same benefits from those other two institutions, business and the government. Mutual aid extends the bonds of kinship and makes individuals into citizens.

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Respect for Property

Nobel laureate Milton Friedman famous quote on the value of individual ownership of property says, "Nobody spends somebody else's money as carefully as he spends his own. Nobody uses somebody else's resources as he uses his own. So if you want efficiency and effectiveness, if you want knowledge to be properly unitized, you have to do it through property." Land, for instance, was lineally held. The first owner usually acquired it through digging a well for water or cultivating crops on an unencumbered land and bequeathing farms to descendants.

India recently survived the economic downturn that haunted the world in 2008, because it respects property and has the highest net savings of 30 per cent. The Indian Constitution has provided the right to every citizen to own property, but it brings duty with it that one should not destroy others' property.

Respect for Nature

Industrialization brought less dependence on nature, which had been seen as inscrutable, capricious, uncontrollable forces or anthropomorphic spirits. Life now became a 'game against fabricated nature,'[22] a technical, mechanical, rationalized, bureaucratic world directed toward the external problem of creating and dominating the environment. This resulted in the rise of materialism.

Commitment

Commitment refers to a feeling of attachment and loyalty, and as such, plays an important part in management philosophy.

As defined by Porter et al.,[23] commitment is relative strength of the individual's identification with, and involvement in, a particular organization.

What leads to commitment?

Salanick[24] suggests four key factors of understanding the concept of organizational commitment, viz. visibility, explicitness, irreversibility of one's behaviour and personal volition for one's behaviour.

Visibility: There are challenges in every organization but the commitment of management and employees to overcome the same should be visible. Visible commitment, reassurance and direction, a contact with the 'grapevine' must be maintained. Explicitness*:* This depends upon observability and unequivovality. Observability is the ability to observe and implement a particular behaviour and equivocality is difficulty in pinning down the behaviour. Explicitness can be enhanced by having all executives, managers and employees sign a letter every year affirming their understanding of an organization's ethics policy and report all cases of unethical beahviour.

Irreversibility: means that behaviour is permanent and cannot be undone or revoked. Organizations can reward and encourage a member who displays signs of ethical values through say, whistle blowing.

Volition or personal responsibility: With personal responsibility, the behaviours are not committing. Enhancing employees' responsibility for their actions is critical to establishing their commitment to the organization, the accompanied expectations of ethical behaviour, and the institutionalizing of ethics in an organiation.

The Morality of Care

Carol Gilligan's *In a Different Voice*[25] established care ethics as a major new perspective in contemporary moral and political discourse. Care ethics takes the concrete needs of particular individuals in specific circumstances

as the starting point for what must be done.[26] Caring involves stepping out of one's own personal frame of reference into the others. When we care, we consider the other's point of view, their objective needs, and what they expect of us. Our attention, our mental engrossment is on the cared-for, not on ourselves. Our reasons for acting, then, have to do both, with the other's wants and desires and with the objective elements of their problematic situation.[27] Care places the particular needs of individuals at the foreground of moral action so that attention to immediate human concerns takes priority over abstract principles and programs.

APPLYING ETHICS IN INDUSTY

Legal compliance is only the base line of business ethical accountability, which is often referred to as 'the spirit of the law'. It encapsulates the ideal state that the law is seeking to promote, the higher ground. As such, it encourages the highest possible standards of behaviour rather than a minimalist compliance orientation to avoid legal prosecution. An ethical perspective has as its goal the protection of people against unnecessary

Scandal at Satyam: Truth, Lies and Corporate Governance

In one of the biggest frauds in India's corporate history, B. Ramalinga Raju, founder and CEO of Satyam Computers, India's fourth largest IT services firm, announced on January 7, that his company had been falsifying its accounts for years, overstating revenues and inflating profits by $1 billion. Ironically, Satyam means 'truth' in Sanskrit, but Raju's admission--accompanied by his resignation--shows the company had been feeding investors, shareholders, clients and employees a steady diet of *asatyam* (or untruth), at least regarding its financial performance.

Raju's departure was followed by the resignation of Srinivas Vadlamani, Satyam's chief financial officer, and the appointment of Ram Mynampati as the interim CEO. In a press conference held in Hyderabad on January 8, Mynampati told reporters that the company's cash position was "not encouraging" and that "our only aim at this time is to ensure that the business continues." A day later, the media reported that the Government of India had disbanded Satyam's board.

Raju was compelled to admit to the fraud following an aborted attempt to have Satyam invest $1.6 billion in Maytas Properties and Maytas Infrastructure ("Maytas" is Satyam spelled backwards), two firms promoted and controlled by his family members. On December 16, Satyam's board cleared the investment, sparking a negative reaction by investors, who pummeled its stock on the New York Stock Exchange and Nasdaq. The board hurriedly reconvened the same day and called off the proposed investment.

The matter didn't die there, as Raju may have hoped. In the next 48 hours, resignations streamed in from Satyam's non-executive director and Harvard professor of business administration Krishna Palepu and three independent directors, Mangalam Srinivasan, a management consultant and advisor to Harvard's Kennedy School of Government; Vinod Dham, called the "father of the Pentium chip" and now executive managing director of NEA Indo-US Ventures in Santa Clara, Calif.; and M. Rammohan Rao, the dean of the Indian School of Business in Hyderabad (ISB). Rao had chaired both board meetings on December 16. On January 8, he resigned from his position as the ISB dean.

Resigning as Satyam's chairman and CEO, Raju said in a letter addressed to his board, that the stock exchanges and market regulator, Securities & Exchange Board of India (SEBI), that Satyam's profits were inflated over several years to "unmanageable proportions" and that it was forced to carry more assets and resources than its real operations justified.

Specifically, Raju acknowledged that Satyam's balance sheet included Rs 7,136 crore (nearly $1.5 billion) in non-existent cash and bank balances, accrued interest and misstatements. It had also inflated its 2008 second quarter revenues by Rs. 588 crore ($122 million) to Rs. 2,700 crore ($563 million), and actual operating margins were less than a tenth of the stated Rs 649 crore ($135 million).

Impact on 'Brand India'

The outrage over Raju's admission of systematic accounting fraud has broadened to a wider concern about the potential damage to India's appeal for foreign investors and the IT services industry in particular. Immediately following Raju's confession, Satyam's shareholders took a direct hit as the company's share price crashed 77 per cent to Rs. 30 (approximately 60 cents), a far cry from its 52-week high of Rs. 544 ($11.35) last May.

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harm and exploitation. It encompasses notions of accountability and responsibility to others because, as humans, they have innate rights even if these are not yet spelt out in local laws. Sophisticated concepts such as 'fair play', 'trust', 'respect' and 'mutual obligation' are the implicit aspects of 'professional' behaviours of everyday business life that fall into the ethical realm. It is often assumed that they do not need to be spelt out in law because the sustainability of the marketplace and the well-being of civic life depend on adherence to these standards. It is sometimes forgotten that the ultimate purpose of regulation is to protect the market itself by promoting practices that will enable industry to thrive and, at the same time, protect consumers and society in general against commercial exploitation.

Donaldson (1989) Obligations of Corporations: 10 Fundamental Rights to be respected by all corporations

1. Freedom of physical movement
2. Property ownership
3. Freedom from torture
4. Fair trail
5. Non discriminatory treatment
6. Physical security
7. Freedom of speech and association
8. Minimal education
9. Political participation
10. Subsistence

Rapprochement

Rapprochement as value has assumed significance due to the mass movement of people from rural areas to urban conglomerates, leading to interaction with new social cultures and behaviour. Rapprochement enables individuals to imbibe new sets of values.

There are two universal human needs:

(a) Regulating interpersonal conflict, and

(b) Regulation intrapersonal conflict.

Wong[28] reasoned that commonality in values exist at the level of societies, not only in their overt custom and practices such as caring and love for children. Wong stated, "We cannot conclude, then, merely because customs differ, that there is disagreement about values. The difference in customs may be attributable to some other aspects of social life; thus there may be less disagreement about values, then it appears to be."[29] Hence, rapprochement based on such broad based normative and ethical principles have provided basis for macro-level social contracts although it allows micro-level social contracts. Donaldson (1989) presented common ethical core of 10 fundamental rights to be respected by all corporations wherever they conduct business.

Ethical Decision-Making

Making good ethical decisions requires a trained sensitivity to ethical issues and a practiced method for exploring the ethical aspects of a decision. It is important to weigh all factors that would impact choice of a course of action. Having a method for ethical decision-making is absolutely essential. When practiced regularly, the method becomes second nature and individuals then work through it automatically without consulting the specific steps.

It has been found that the following framework for ethical decision-making is a useful method for exploring ethical dilemmas and identifying ethical courses of action.

Step 1: Identify the ethical issue

Step 2: Get the facts

Step 3: Evaluate alternative actions

Step 4: Make a decision and test it

Step 5: Act and reflect on the outcome

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Live Case of Whistle Blowing

Lo Pui-lam, an employee of Hong Kong City Civil Service, brought to the attention of the public, the corruption that was happening in the service. Lo, a driver of sewage collection trucks understood that the night shift workers had the habit of filling the tanks with fresh water so that when they arrived at the dumping ground, the truck would weigh enough to pass inspection. Lo, who was concerned about the corrupt practice, tried to approach his supervisors butthe general reaction was not to make any fuss and no action was taken. Lo had to go up to a Member of Legislature to have his concern voiced. Even the welfare officer, who was responsible for helping the cause, tried to persuade Lo to back off and threatened him with job loss. Although action was taken to discipline the night shift workers, Lo had to face tough retaliation from the workers and supervisors in the form of verbal threats and insults and was given rougher jobs. He was continuously monitored for the slightest infraction. For doing something he felt right, Lo had to face boycott from his colleagues. As Lo puts it "I eat alone" and "I don't talk to anyone."

Source: Asiaweek, March 31, 2000, Yulanda Chung, HongKong)

BASIC ELEMENTS OF AN ETHICAL ORGANIZATION

Clark (2003, p. 36) stated that there are at least four elements, which exist in organizations that make ethical behaviour conducive within an organization. The four elements necessary to quantify an organization's ethics are

(i) Written code of ethics and standards
(ii) Ethics training to executives, managers, and employees
(iii) Availability for advice on ethical situations (i.e., advice lines or offices)
(iv) Systems for confidential reporting.

Factors that Raise Ethical Standards

The two factors that raise ethical standards are:

(i) Public disclosure and publicity;
(ii) The increased concern of a well-informed public

For ethical codes to be effective, provisions must be made for their enforcement. Unethical employees should be held responsible for their actions.

WHISTLE-BLOWING

Experts define 'whistle-blowing' as the disclosure by organizational members (former or current) of illegal, immoral or illegitimate practices under the control of their employers, to persons or organizations that may be able to affect action. While the reporting of sensitive issues may be part of the individual's role within the organization (e.g., internal auditors, inspectors), when the individual finds it necessary to reveal such findings to organizational members outside the normal chain of command, it is also considered whistle-blowing through internal channels. Whistle-blowing also encompasses situations where individuals go out of the organizational hierarchy and make information available to public or other external authorities to get a positive action.

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There are four factors involved in the process. First, there is a misdeed or illegal activity in the organization, and a perception that either the management can prevent it or that it has been initiated by management or certain employees. Another important factor is the presence of an individual or group of people who view that some action should be taken against the illegal activity. Finally, there is a process by which the individuals or group try to expose the problem to the authorities who can take action (Figure 11.1).

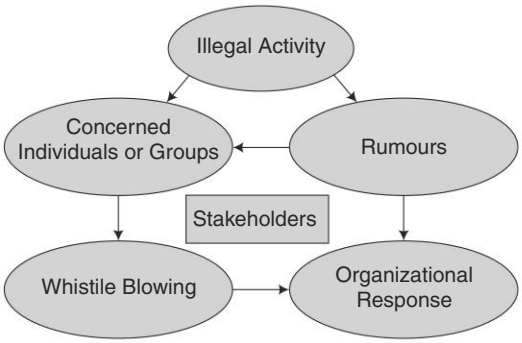

FIGURE 11.1 Whistle-blowing process

INTERNATIONAL BUSINESS ETHICS

As multinational companies expand globally and enter foreign markets, ethical conduct of the officers and employees assume added importance since the very cultural diversity associated with such expansion may undermine the much shared cultural and ethical values observable in the more homogeneous organizations (Mahdavi, 2001). Getz (1990, pp. 567–577) analysed international codes of conduct in four entities: (1) the Organization for Economic Cooperation and Development (OECD), which is the primary policymaker for industrialized nations, (2) the International Chamber of Commerce (ICC), which is concerned with fair treatment among multinational corporations, (3) the International Labor Organization (ILO), which is concerned with direct investment in developing countries, and (4) the Center for Transnational Corporations (CTC), whose objective is to maximize the contributions of transnational corporations to economic development and growth and to minimize the negative effects of the activities of these corporations.

These various codes were developed to establish order among multinational corporations, although some organizations refuse to abide by these codes since national governments have not sanctioned them completely. Without uniform and full enforcement, multinational organizations could have rampant choice in international ethical issues. Underlying this lack of consensus is the issue of national as well as corporate culture. Every nation is different and every multinational organization is, in one way or another, distinct in the way they do business, especially in other countries.

Cyber Ethics

Has cyber-technology introduced any new moral issues? This question continues to be debated in the cyber-ethics literature. Deborah Johnson in *Ethics of Line* argues that, with respect to ethical considerations, Internet technology has three features:

(a) The scope of the Internet is global and interactive.

(b) The internet allows users to interact and communicate with anonymity.

(c) Internet technology makes the reproducibility of information possible in ways that were not previously available.

She believes that these features may make 'moral difference' in that they make behaviour in an electronic network morally different from off-line behaviour.

DIVERSITY

Diversity has emerged as an issue because of an imbalanced representation of diverse groups in the workforce. India has not only been a diverse society, it has valued and celebrated diversity. The term 'synergy pluralism' has been suggested (Pareek, 1992) to describe Indian culture, citing that diverse religious (Parsees, Christians, Jews) and ethnic groups were welcomed and encouraged to maintain their identities, even while integrating them with social mainstream.

Diversity has assumed importance as there is an increasing realization in India that sections of society that are underrepresented need to include in the workplace. Legislations to that effect have been enforced by the Government, pressurizing organizations to examine the composition of the workforce. With globalization and the entry of Indian companies into the global market, attention to diversity has increased. Also, consumer groups in the West are pressurizing India to employ diverse groups.

UNDERSTANDING NEW ACCOUNTABILITIES

Creating business value from accountability and sustainability requires an understanding of what they mean—at the level of strategy and also for managers at all levels and in all functions within a company.

Accountability is about understanding responsibilities, facing up to them and being responsive to stakeholders. Sustainability is about enhancing long-term social, environmental and economic impacts. Ideally, companies should use these two forces to drive cross functional, beginning-to-end, long-term thinking to create shareholder value.

Accountability forces come from four broad spheres of influence. Managers need to ask four key questions to understand how best to respond.

Their freedom to operate is subject to influence at four levels. First, every company has its own values and practices and internal accountabilities. Second, managers must work within laws and regulations covering many aspects of their operations. These are the accountabilities that managers are used to dealing with, although they have expanded with the rise in importance of sustainability to embrace issues such as carbon dioxide emissions and employee diversity.

Responsibilities Towards an Individual

1. Understand the team members as individuals–their personality, skills, strengths, needs, aims and fears.
2. Assist and support individuals –plans, problems, challenges, highs and lows.
3. Identify and agree appropriate individual responsibilities and objectives.
4. Give recognition and praise to individuals–acknowledge effort and good work.
5. Where appropriate, reward individuals with extra responsibility, advancement and status.
6. Identify, develop and utilize each individual's capabilities and strengths.
7. Train and develop individual team members.
8. Develop individual freedom and authority.

CORRUPTION

Corruption is defined as the exercise of official powers against public interest or the abuse of public office for private gains. Concern about corruption is

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as old as the history of government. In 350 BCE, Aristotle suggested in *The Politics*, "To protect the treasury from being defrauded, let all money be issued openly in front of the whole city, and let copies of the accounts be deposited in various wards."

Concerns about corruption have mounted in recent years; in tandem with growing evidence of its detrimental impact on development (see World Bank 2004). Corruption slows GDP growth (Abed and Davoodi 2000; Mauro 1995) and adversely affects capital accumulation (Lambsdorff, 1999). It lowers the quality of education (Gupta, Davoodi, and Tiongson 2000), public infrastructure (Tanzi and Davoodi 1997), and health services (Tomaszewska and Shah 2000; Treisman 1999). It reduces the effectiveness of development aid and increases income inequality and poverty (Gupta, Davoodi, and Alonso-Terme 1998). Bribery, often the most visible manifestation of public sector corruption, harms the reputation and erodes trust in the state. Poor governance and corruption make it more difficult for the poor and other disadvantaged groups, such as women and minorities, to obtain public services. Corruption may also affect macroeconomic stability, when, for example, the allocation of debt guarantees based on cronyism or fraud in financial institutions leads to a loss of confidence by savers, investors, and foreign exchange markets. The Bank of Credit and Commerce International (BCCI) scandal, uncovered in 1991, for example, led to the financial ruin of Gabon's pension system; the corrupt practices at Mehran Bank in the Sindh Province of Pakistan in the mid-1990s led to a loss of confidence in that country's national banking system.

Some Principles for Good Business Ethics

Be Respectful: Treat others with utmost respect. Regardless of differences, positions, titles, ages, or other types of distinctions, always treat others with professional respect and courtesy.

Be Trustful: Recognize that persons/customers want to do business with a leader/company they can trust. With trust comes assured reliance on the character, ability, strength, and truth.

Keep An Open Mind: For continuous improvement, the leader must be open to new ideas. Ask for opinions and feedback from both, customers and team members and your company will continue to grow.

Meet Obligations: Regardless of the circumstances, do everything in your power to gain the trust of past customers and clients, particularly if something has gone awry. Reclaim any lost business by honouring all commitments and obligations.

Have Clear Documents: Re-evaluate all print materials including small business advertising, brochures, and other business documents making sure they are clear, precise and professional. Most importantly, make sure they do not misrepresent or misinterpret.

Become Community Involved/ Civic Action Program: Remain involved in community-related issues and activities, thereby demonstrating that your business is a responsible community contributor. In defence forces, civic action programmes are your responsibility towards the community where you are deployed. In other words, stay involved.

Maintain Accounting Control: Take a hands-on approach to accounting and record-keeping, not only as a means of gaining a better feel for the progress of your company, but as a resource for any "questionable" activities. Gaining control of accounting and record keeping allows you to end any dubious activities promptly.

Corruption is not manifested in one single form. It typically takes at least four broad forms:

1. Petty, administrative, or bureaucratic corruption: Many corrupt acts are isolated transactions by individual public officials who abuse their office by demanding bribes and kickbacks, diverting public funds, or awarding favours in return for personal considerations.

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2. Grand corruption: The theft or misuse of vast amounts of public resources by state officials—usually members of, or people associated with the political or administrative elite—constitutes grand corruption.
3. State or regulatory capture and influence peddling: State capture is the collusion by private actors with public officials or politicians for their mutual, private benefit. In this form of corruption, the private sector "captures" the state legislative, executive, and judicial apparatus for its own purposes.
4. Patronage, paternalism, clientelism, and being a ''team player'. Corruption occurs when officials use their position to provide assistance to clients or colleagues with the same geographic, ethnic, or cultural origin so that they receive preferential treatment in their dealings with the public sector, including public sector employment.

SUMMARY

In this chapter, we have discussed ethics and values. There are individual, societal, organizational and professional values. One of the most important values in industry is 'trust'. It is on trust that a large number of stakeholders invest huge capital and provide necessary resources for the production of goods. In modern industry, one of the values that are increasingly gaining importance is mutual aid. A large number of non-government organizations are acting to mitigate the sufferings. There is also movement towards morality of care. The free flow of information has brought in new responsibilities to the users of the technology. Cyberethics takes precedence for online workers. These ethics are different from one commonly applied in face-to-face transaction.

KEY TERMS

Accountability
Corruption
Democracy
Ethics
Morality of care
Values
Whistle-blowing
Ethical decision-making

REVIEW QUESTIONS

1. What are ethics? What is the concept of 'right' or 'wrong'? Discuss.
2. What are the ethical questions in modern society? Discuss with examples.
3. What are tools of ethics? Discuss any two.
4. What are the basic values of Indian society? Discuss.
5. Mr Amratya Sen has stated that 'the democracy is the basic value for every Indian'. Do you agree with this statement? Discuss with examples.
6. Briefly discuss 'ethical decision-making'.
7. India is said to be land of diversity. What is diversity? How does it impact values? How do you recommend overcoming the issues of diversity?
8. What is rapprochement? Is rapprochement an effective tool to manage diversity? Discuss.
9. Accountability is lax in Indian corporations? How is accountability to be inculcated in the organization?
10. Whistle-blowing is an ethical method. Do you agree? Discuss.

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11. According to Debroah Johnson, what are three 'special features' of on-line communication, and their significance for on-line ethics? Can you think of any ethical issues involving internet technology that are actually unique ethical issues? If so, how are those issues unique?
12. Corruption is a major issue world over especially in India. How do you propose to limit it in your organization?

PROJECT WORK

1. Visit the office of the Municipal Commissioner of your town and see the projects taken up by various organizations both government and non-government. See how people are coming to assist in the growth of the town.
2. Carry out a critical analysis of the article 'Can Care Ethics be Institutionalized? Toward a Caring Natural Law Theory' (Engster, Daniel) and discuss the same in the class. Study how this could be implemented in your town/city. The paper is available at www.csus.edu/org.

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PART FOUR 4

Industrial Society, Industrial Relations and Grievance Handling Procedures

12. Industrial Society
13. Industrial Relations: Growth and Development
14. Collective Bargaining and Social Dialogue
15. Employee Discipline and Grievance Handling Procedures

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CHAPTER TWELVE 12

Industrial Society

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

- Consequences of the industrial system
- Characteristics of industrial society
- Social mobility
- Social differentiation and social stratification
- Layers of social class

During the last two centuries, economic, technological, and sociopolitical changes have transformed the cultures of societies in profoundly important ways. The foundation of 'industrial society' was laid by harnessing energy (steam, electricity, oil and gas) to drive machines; the vertical integration of corporations, and the introduction of mass production.

Incentives that motivate people to work, issues that give rise to political conflict, people's religious beliefs, their attitudes concerning marriages, divorce, abortion, homosexuality, the importance they attach to having children and raising families—all these have been changing. Traditional values and norms remain widespread among older generations, but new orientations have penetrated younger groups to a large degree. Earlier, overwhelming emphasis was laid on economic factors and physical security. As younger generations gradually replace older ones in the adult population, the prevailing world view in society is being transformed and emphasis is now on quality of life.

DEFINITION OF INDUSTRIAL SOCIETY

The foundation of industrial society was laid by the harnessing of energy (steam, electricity, oil and gas) to drive machine and turbines; the vertical integration of corporation and introduction of mass production.

Industrial society stressed the rationalistic, impersonal (or universalistic) aspects of society. It gave primacy to rationalized production of material goods and services, emphasized on deferred gratification, and allocated people to positions on basis of their achievements, especially their education and technical com-

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petence, rather than on traditional ascriptive characteristics such as family connections, race, or gender. Simultaneously, mechanization and technical development raised living standards and rendered many unpleasant manual jobs unnecessary, resulting in the embourgeoisement of the manual working class.

It is important to distinguish between the descriptive and analytical uses of this term. At a descriptive level, industrial society is simply one displaying the characteristic features of industrialization. However, the term is also used in the abstract to denote the thesis that a definite type of society exists whose culture, institutions, and development are determined by its industrial production process.

Let us now examine these in detail.

Eldridge on Industrialization

What characterizes our current situation is this—the private economy bound up with private bureaucratization and hence with the separation of the worker's tools of his trade, dominates the sphere of industrial production, which has never before in history borne these two characteristics together on such a scale; and this process coincides with the establishment of mechanical production within the factory, thus with a local accumulation of labour on the same premises, enslavement to the machine shop or pit. It is the discipline which lends to the contemporary mode of separation of worker from materials in particular stamp.

—Eldridge 1971, pp. 200–201

CONSEQUENCES OF INDUSTRIALIZATION

Impact of industrialization in various walks of life is discussed below.

Political

In industrial society, significant shifts are taking place in political skills. Citizens are free to speak, one of the major institutions of society, the 'government', is an ongoing public conversation. Inglehart[1] states that "An increasingly large proportion of the public is coming to have sufficient interest and understanding of national and international politics to participate in decision-making at this level. Mass publics have played a role in national politics for a long time, of course, through ballot and in other ways. Current changes enable them to play an increasingly active role in formulating policy, and to engage in what might be called 'elite challenging' as opposed to 'elite-directed' activities. Elite directed political participation is largely a matter of elites mobilizing mass support through established organizations such as political parties, labour unions, religious institutions, and so on. The newer 'elite challenging' style of politics gives the public an increasingly important role in making specific decisions, not just a choice between two more sets of decision makers."[2]

Concept of 'public sphere' or a space for private citizens to voice their opinions was essential for the development of modern liberal society.[3] It grew in the eighteenth century with the rise of the popular press, and a variety of social organizations that served to what Guizot called 'public opinion', a force in the political life of the state.

Capitalism

Sombart defines capitalism as "a commercial organization in which two different groups of the population are connected by the market and cooperate regularly: the owners of the means of production, who at the same time have control and are the subjects of the economy, and the property-less mere labourers' as objects of the economy; it is an organization which is dominated by the acquisitive principle and by economic rationalism." Basic prerequisite for modern capitalism is "the separation of business from the household, which completely dominates modern economic life..."[4]

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Gemeinschaft and Gesellschaft

Gemeinschaft relationships were intimate, enduring and based upon a clear understanding of an individual's position in society. The people with these type of relationships were relatively immobile both, geographically and socially. The status of an individual was ascribed rather than achieved. The culture in Gemeinschaft societies was relatively homogenous and was enforced quite rigidly by well recognized moralcustodians—the family and religious institutions.

Gesellschaft consists of everything that a community is not. It refers to large-scale, impersonal, calculative and contractual relationships, which, according to Tonnies, were on the increase in the industrial world at the expense of Gemeinschaft. Tonnies believed that both, industrialization and urbanization are associated with increase in scale therefore, the impersonality in society. In Gesellschaft the relationships are more calculative and specific, that is, more 'ratinal' in the sense that they were "restricted to a definite end and a definite means of obtaining it." Consequently, Tonnies believed most of the virtues of and 'morality' of the community was lost in the process of industrialization.

We live in a capitalist society, which emerged due to the Industrial Revolution. Sombart's definition quoted above contains at least seven elements or determinants of capitalism as exhibited by present society:

(a) The commercial organization
(b) The cooperation of two groups of the population
(c) The fact that one of these groups simultaneously owns and controls the means of production, whereas
(d) The other group has no property and is confined to 'merely' labouring
(e) Their connection by the market
(f) The acquisitive principle, and
(g) Economic rationalism.

Kinship: Gemeinschaft and Gesellschaft

Tonnies regarded urban industrial society as representing a contrast, rather than continuation of the past. He coined two terms, *Gemeinschaft* and *Gesellschaft* in his book first published in 1867 titled '*Gemeinschaft and Gesellschaft*'.[5] By *Gemeinschaft* Tonnies implied the 'community type; of relationships which were characteristics of pre-industrial society; and *Gesellschaft,* which he associated with a rise to industrialization and therefore, responsible for decline of community.

It is noticed that both, *Gemeinschaft* and *Gesellschaft*—like relationships are found in rural and urban settings, though it can be said that there is greater tendency towards *Gemeinschaft* in rural areas—"it is stronger there and more alive,"[6] especially in India.

Planning and Control

One of the key developments in recent years has been a growing skepticism about the desirability and effectiveness of state planning and control, an increasing concern for individual autonomy, and a growing respect for market forces. New forces are emerging, which are critical of the government, view bureaucracy as dehumanizing, and call for devolution of decision-making powers to local communities and to those directly affected by the decisions. Betterment of society is understood in a liberal and egalitarian fashion as the betterment of the lives of all individuals, despite its potential conflict with liberal concern to limit state power. State power must be used positively to promote individual liberty and betterment of the lives of individuals.

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Division of Labour—Durkheim

Durkheim believed that division of labour was essential to the well-being of society. It's chief utility was that it formed the basis for social solidarity. Durkheim distinguished between the solidarity that characterized pre-modern society and that which emerged from modern society.

According to Durkheim, the Industrial Revolution had far-reaching effects on the social interactions of people in Europe and America (x). Prior to the Industrial Revolution, mechanical solidarity existed in which people's interactions occurred mainly because they were engaged in similar activities. Consider for instance, medieval society with its sharply drawn divisions between the rural population, artisans, clerics, the military, and the nobility. Goods were produced by the collective efforts of relatively small, close-knit groups of people. Extended family members often worked together on farms, home-based shops, or at locations in close proximity to the home. The comparatively simple division of labour that characterized pre-industrial society gave rise to guilds, entry into which was difficult for outsiders. The skills of the artisans were passed down from one generation to another. Maintaining social solidarity was relatively simple during pre-modern times.

Achieving social solidarity became more problematic with the advent of the post-Industrial Revolution era. Machine work replaced hand work. Most manufacturing employees were consigned to symbols; members of society were welded together in a web of mutual dependence. Although the importance of religion diminished, it formed the basis for modern penal laws, which regulate human behaviour like religion once did. Social life in pre-modern societies often had religion at its core. Villages were divided into parishes and the observance of religion took place at the community level. In modernity, social bonds created by geographical territory have become blurred and meaningless. Because the state is too enormous an entity around which individuals can maintain common bonds, society naturally divides itself into subgroups: "A nation cannot be maintained unless, between the state and individuals, a whole range of secondary groups are interposed". Durkheim stated that the formation of an ideal world is a natural product of social life because it is the function of society to look after the best interests of its members. To accomplish this end, penal law was established. The orderly maintenance of society is dependent on the repression of criminal activity. Penal law is religious in origin. Durkheim supports this theory by pointing to the ancient religious texts of India, Judea, and Egypt.

Change in Nature of Work

In an industrial environment, "punctuality, calculability, and exactness are forced upon life by the complexity and extension of metropolitan existence and are not only most intimately connected with its money economy and intellectualist character. These traits must also colour the contents of life and favour the exclusion of those irrational, instinctive, sovereign traits and impulses which aim at determining the mode of life from within, instead of receiving the general and precisely schematized form of life from without."[7]

In the early stages of industrial society, most jobs required low levels of skills, production was relatively simple, standardized, and slow changing products could be organized to traditional assembly line. A handful of bosses could direct the entire factory, and the economy could be run according to one central plan. In today's environment, innovation is the order of the day; it is inherently unpredictable and depends upon specialized expertise that is beyond the grasp of political authorities. The high-tech society requires an organization that allows wide scope for individual judgments and creativity.

Mass Society

Mass society is referred to the society that emerged during the industrial revolution. It brought voting rights to all, improved standards of living and access to education. One of the fallouts of mass society was urbanization. In this, the elite formed five per cent of the society, and constituted successful bankers, industrialists and merchants. Members of this elite assumed leadership roles in government, bureaucracies and military. It also included a large middle-class of technocrats or specialists.

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Individual Autonomy

There is a shift towards individual autonomy where the individual puts greater emphasis on belonging, self expression and quality of life. Lastly, there are major immigration flows, which have changed the ethnic makeup of the societies.

Ownership and Control

Industrialization led to large-scale industrial corporations. Given the increase in production, and the growing size, complexity and expense of modern technology, the development of modern corporation became, in the words of Berle and Means, "a thoroughly logical and intelligent trend; the process could be reversed."[8] This inevitable growth of the industrial corporation has two important effects:

(a) It has undermined private ownership of the means of production.

(b) It has resulted in the transcendence of the market through monopolistic control, price fixing and manipulation of consumer demand.

Work for Salary

The advance of industrialization has resulted in increasing percentage of workforce being employed in occupations, or receiving financial rewards, traditionally regarded as middle-class. This has facilitated the development of a 'new middle-class integrated into society through the adoption of traditional middle-class attitude and style of life.[9]

Managerial and Clerical Revolution

James Burnham argued that the specialist knowledge and skills of managerial experts had become crucial to the successful running of increasingly large and complex organizations. Professional managers exercise control. The growth of importance and power of managerial and administrative occupations throughout the twentieth is one of the significant developments in industrial societies.

The second development was the hiring of a large administrative staff to handle mounting paper work. The expansion of office staff can be traced to growing scale and complexity of economic activities as well as managerial control and coordination. The office became the manager's nerve centre through which voluminous information vital for controlling all aspects of business was compiled, processed and stored.

Urbanization and Mental Life

Simmel, in his essay published in 1903, titled *'The Metropolis and Mental life'*[10] states that urban life is rational, whereas rural life is based on feelings and emotions. The rationality in urban life is due to the increased tempo provoked by increasing social and economic differentiation. In an urban environment the 'multiplicity and concentration of economic exchange' gives importance to the means of exchange, which rural commerce due to its inherent limitation does not allow. Money economy and the dominance of the intellect are intrinsically connected. They share a matter-of-fact attitude in dealing with men and things, and, in this attitude; formal justice is often coupled with an inconsiderate hardness. The intellectually sophisticated person is indifferent to all genuine individuality, because relationships and reactions resulting from it cannot be exhausted with logical operations. Money reduces all quality and individuality to the question—how much?

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"The Metropolis and Mental Life"

Simmel's primary claims are:

1. The intellect preserves one's subjective life in the metropolis and functions as a kind of defence mechanism.
2. In an urban market economy, intellect and money are mutually reinforcing.
3. Calculated and coordinated time schedules add another element to rationalization and objectification of human relations in the city.
4. Overstimulation combined with an active intellect produce the blasé attitude typical of the urban dweller. Thus, another aspect of the leveling of value occurs. (cf. nihilism)
5. The sheer number of people in a large city and their anonymity make one, of necessity, more reserved. This results in a heightened sense of individuality and freedom from group demands.
6. The city and the individual ultimately achieve a kind of autonomy of growth, complexity, and influence over economic, personal, and intellectual relations. "Man does not end with the limits of his body or the area comprising his immediate activity. Rather is the range of the person constituted by the sum of effects emanating from him temporally and spatially. In the same way, a city consists of its total effects which extend beyond its immediate confines." Individual style is the mark of a personality not imposed by others.
7. Increasing specialization of behaviour and needs tend to limit individual self expression (subjective culture) and the ability to differentiate oneself from others. Thus, a tension arises between the will toward, and the drowning of, individuality.

Source: Modified from Quigley, 2002.

Increase in Urban Population

Migration from rural to urban areas is largely a result of a desire for greater access to sources of education, health care and improved job opportunities. In the early 1800s less than 3.5 per cent of the world's people were living in cities of 20,000 or more and less than 2 per cent in cities of 100,000 or more. Today, more than 40 per cent of the world's people are urbanites, and the trend is accelerating. Once in the city, perhaps three out of four migrants achieve some economic gains. The family income of a manual worker in urban Brazil, for example, is almost five times that of a farm laborer in a rural area.

By 2030, estimates indicate that more than 61 per cent of the world's population will live in urban areas and at least 27 cities will have populations of 10 million or more, 23 of which will be in the less developed regions. Tokyo has already overtaken Mexico City as the largest city on Earth, with a population of 26 million, a jump of almost 8 million since 1990.

Although migrants experience some relative improvement in their living standards, intense urban growth without investment in services eventually leads to serious problems. Slums populated with unskilled workers living hand to mouth put excessive pressure on the sanitation system, water supplies and other social services. At some point, the disadvantages of unregulated urban growth begin to outweigh the advantages for all concerned.

Consider the conditions that exist in Mexico City today. Besides smog, garbage and pollution brought about by the increased population, Mexico City faces a severe water shortage. Local water supplies are nearly exhausted and in some cases unhealthy. Water consumption from all sources is about 16,000 gallons per second, but the underground aquifers are producing only 2,640 gallons per second. Water comes from hundreds of miles away and has to be pumped up to an elevation of 7,444 feet to reach Mexico City. This is a grim picture of one of the most beautiful and sophisticated cities in Latin America. Such problems are not unique to Mexico; throughout the developing world, poor sanitation and inadequate water supplies are consequences of runaway population growth. An estimated 1.1 billion people are currently without access to clean drinking water and 2.8 billion have no access to sanitation services. Estimates are that 40 per cent of the world's population 2.5 billion people will be without clean water if more is not invested in water resources. Prospects for improvement are not encouraging because most of the world's urban growth will take place in the already economically strained developing countries.

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All intimate emotional relations between persons are founded in their individuality, whereas in rational relations, man is reckoned with like a number, like an element which is in itself indifferent. Only the objective measurable achievement is of interest.[11]

Density

Increasing concentration of people in limited space also prompts a number of consequences; some are environmental such as overcrowding, pollution, grime, etc. while others are more social, such as differences among the population and neighbourhood segregation, unemployment, etc. Industrialization and density of population results in social and interpersonal conflict due to friction, irritation and daily comparisons, and poor social contact make it appear more as the 'survival of the fittest'.

Heterogeneity

Industrial society is characterized by an increasingly heterogeneous population caused by massive influx of labour to meet the demands of the industry both, in quantity and in skill divisions. As the population becomes more and more diverse and specialized, the class structure becomes complicated. Heterogeneity tends to break down rigid social structures. There is no sense of belongingness resulting in a sense of insecurity and rootlessness. Industrial society is more mobile both, socially and geographically, Wirth has called Industrials Society a 'fluid mass'. Individuals have affiliations with a variety of intersecting and tangible social groups with a high rate of membership turnover. The Industrial structure thus, is more open and less rigid when compared to its rural counterpart. In an Industrial society, the individual has to subordinate some of his individuality to the demands of the larger community and in that measure, immerses himself in mass movements.[12] The individual becomes effective only as he acts through organized groups.

TABLE 12.1 Comparison of Traditional and Modern Societies

Traditional Societies	*Modern Societies*
Community and Kinship	The Individual and their immediate family
Rural and village life	City and Towns (Urban life)
Agriculture, Horticulture and Dairy	Factory, Service and bureaucratic work
Landed Interest	Business and Service Work for salary and fixed time
Aristocracy and Kings	Democracy
Traditions	Logic and Reason
Religion	Science

Rational Bureaucracy

Features of bureaucracy are well-known; the development of universal rules, the separation of person and office, the decline of bribery and corruption, the adjustment of means and ends. Although not approaching the ideal type, there are widespread efforts towards this end in local administration and the law in England from at least the thirteenth century.

Predictable and Universal Law

There are several features here which are taken as indexes of modernity. Firstly, there is the 'rule of law', that is to say that disputes should be settled by due legal process and not by other methods (private war, feud,

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duels, witchcraft, etc.). Secondly, is the idea of equality before the law—that all citizens have certain inalienable rights, which should be protected by the State, and which are inherent in them as individuals, not because they are rich, old, male or any other consideration. Thirdly, there is a common or universal law, which prevails over a country, and is not restricted by powerful local exceptions.

Use of Abstract Symbolic Instruments: Money

One aspect of a world where everything is levelled onto the same plane is the widespread use of money. Money "with all its colourlessness and indifference, becomes the common denominator of all values, irreparably, it hollows out the core of things—their individuality, their specific value, and their incompatibility".[13]

Money is a symbolic instrument which allows the transfer of values across time and space, the accumulation and easier application of capital, the transformation of a use economy into an exchange economy, etc. Thus, a sophisticated money economy, where almost everything can be expressed in monetary values and where the remotest region is penetrated by cash, is a sign of 'modernity'. Again, there is evidence of this in India, Holland and England from very early on.

Money has made the modern mind more calculating. The calculative exactness of practical life, which the money economy has brought about, corresponds to the ideal of natural science: to transform the world into an arithmetic problem, to fix every part of the world by mathematical formulas.[14]

Use of Abstract Symbolic Instruments: Literacy

Curiously similar to money is writing, which instead of storing wealth, stores information and power and allows its more powerful manipulation in time and space. Widespread literacy and a growing use of the new technology of the printing press are signs of modernity. Both are features, permeating widely through the countryside, in England and Holland from the sixteenth century at least.

SOCIAL MOBILITY

We often think of the United States as a nation with a lot of social mobility. Professor Kathryn Wilson, associate professor of economics at Kent State University, summarizes the main findings of the study: "People like to think of America as the land of opportunities. The irony is that our country actually has less social mobility and more inequality than most developed countries." Social mobility refers to the likelihood that a child will grow up into adulthood and attain a higher level of economic and social well-being than his/her family of origin.

The fact of social mobility is closely tied to social inequality and social class. Industrialization created social inequality. In a highly egalitarian society, there would be little need for social mobility. A society with a fairly persistent class structure has relatively little social mobility because there is some set of mechanisms that limit entry and exit into the various classes. There are good sociological reasons to suspect that industrialization has created a fairly unstable situation; groups with a significant degree of wealth and power are in a position to arrange social institutions in such a way that privilege is transmitted across generations. A look at the number of children and siblings that have entered the Indian Parliament and are holding cabinet posts, is proof of this. Industrialization has provided differentiated opportunities to children and young adults from various social groups in many societies, including the western countries, the United States and India'; however, there are differences in every sphere—schooling provided to children across all income groups; quality of healthcare available across income and race; the extent to which job opportunities made available to all

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Population Decline and Ageing

While the developing world faces a rapidly growing population, the industrialized world's population is in decline and rapidly ageing. Birth rates in Western Europe and Japan have been decreasing since the early or mid 1960s as more women are closing are choosing careers instead of children, and many working couples are electing to remain childless. As a result of these and other contemporary factors, population growth in many countries has dropped below the rate necessary to maintain present levels. Just to keep the population from falling, a nation needs a fertility rate of about 2.1 children per woman. Not one major country has sufficient internal population growth to maintain itself, and this trend is expected to continue for the next 50 years. Europe's population could decline by as much as 88 million (from 375 million to 287 million) people if present trends continue till 2015.

At the same time, population growth is declining in the industrialized world; there are more ageing people today than ever before. Global life expectancy has grown more in the last 50 years than over the previous 5,000 years. Until the Industrial Revolution, no more than two or three per cent of the total population was over the age of 65. Today, in the developed world, the over- 65 age group will amount to 14 per cent and by 2030 this group will reach 25 per cent in some 30 different countries.

individuals without regard to status, race, or income; or the way urban people are treated in comparison to suburban or rural people when it comes to the availability of important social opportunities.

SOCIAL DIFFERENTIATION AND SOCIAL STRATIFICATION

Great inequalities divide society in every country of the world, including India. The tendency is to blame individuals for their own failures, or attribute success to individual achievement. Many people think that the poor are lazy and do not value work. At the same time, the rich are admired for their supposed initiative, drive and motivation. Neither is an accurate portrayal. There are many hard-working individuals who are poor, and many rich people have often inherited their wealth rather than earning it themselves.

All social groups and societies exhibit social differentiation. 'Status' is a person's socially defined position in a group or society. 'Social differentiation' is the process by which different statuses develop in any group, organization or society. In any organization, the owners, managers, supervisors, administrative staff, foreman, workers, security staff, etc. have different statuses within the group. Together they constitute the whole social system, one marked by social differentiation.

Status differences can become organized into a hierarchical social system. Social stratification is a relatively fixed, hierarchical arrangement in society by which groups have different access to resources, power, and perceived social worth. Social stratification is a system of structured social inequality. All societies have a system of social stratification. While some societies stratify only along a single dimension, like age, most contemporary societies are more complex, with many factors interacting to create social strata. In India, social stratification is strongly influenced by caste and now, also by class, while in the United States, it is strongly influenced by class, which is in turn, influenced by matters such as one's occupation, income, education, race, gender and other influences such as age, region of residence, ethnicity and national origin.

In class systems, stratification exists, but one's location and rank can change according to an individual's achievements, even though class is strongly determined by one's social background. In class systems, class is, to some degree, achieved, that is, earned by the acquisition of resources and power, regardless of one's origins. Classes are less rigidly defined than castes, because divisions are blurred by individuals moving from one class to another.

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Forms of Stratification

Stratification can be broadly classified as:

- Estate system
- Caste system
- Class system

In India you can see all three existing simultaneously.

Estate System

In this system of stratification, the ownership of property and the exercise of power are monopolized by the elite who have total control over societal resources. Historically, such societies were feudal systems where classes were differentiated into three basic groups—the nobles, priesthood and the commoners.

Caste System

In a Caste system, one's place in the stratification system is an ascribed status, meaning it is a quality given to an individual by circumstances of birth. The hierarchy of classes is rigid in caste systems and is often preserved through formal law and cultural practices that prevent movement between classes.

The system of *apartheid* in South Africa was a stark example of a caste system. Under apartheid, travel, employment, association and place of residence of the 'Blacks' were severely restricted. Segregation was enforced using a pass system in which Blacks in White areas were obliged to account for their presence. Inter-racial marriages were illegal, and Black Africans were prohibited from voting.

Class System

Industrial society brought class, which refers to style or sophistication. In sociological use, social class (or class) is the social structural position that groups hold relative to the economic, social, political, and cultural resources of society. Class determines the access that different people have to these resources and puts groups in different position of privilege and disadvantage. Each class has members with similar opportunities and who tend to share a common way of life. Class also includes a cultural component in that class shapes language, dress, mannerisms, taste, and other preferences. Class is not just an attribute of individuals; it is a feature of society. (Anderson, Margaret L. and Taylor, Howard F. (2006), *Sociology: Understanding A Diverse Society,* 4th ed., Belmont, CA: Wadsworth, p. 215)

Max Weber described the consequences of stratification in terms of life chances or the opportunities that people have in common by virtue of belonging to a particular class. Life chances include the opportunity for possessing goods, having an income, and having access to a particular job. Class determines how well you are served by social institutions. Class influences access to high-quality education, critically important because education provides credentials and social networks that pay off over a lifetime.

Industrialization has brought in new class system, which arose from the interaction of old wealth, new wealth, intensive immigration, globalization, and the development of new technologies. Class is indicated by factors such as levels of income, occupational standing, and educational attainment. Occupational prestige is the second important indicator of socioeconomic status in industrial society. It is the subjective evaluation people give to jobs. To determine occupational prestige, sociological researchers typically ask nationwide samples of adults to rank the general standing of a series of jobs.

The third indicator of socio-economic status is educational attainment, typically measured as the total years of formal education. The more years of education attained, the more likely a person will have higher class status. The prestige attached to occupation is strongly tied to the amount of education the job requires[15]—the more education people think is needed for a given occupation, the more occupational prestige people attribute to that job.[16]

Layers of Social Class

In industrial society, the 'upper class' owns the major share of corporate and personal wealth. It includes those who have held wealth for generations as well as those who have acquired it recently. Only a very small

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Industrial Society

The industrial society thesis assumed a much more tangible shape in the writings of post-war, mostly American, functionalist sociologists and industrial-relations specialists. Critics of this theory have noted that the general features it ascribes to mature industrialism correspond very closely to the ideal picture which Cold War propaganda had painted in the United States. However, alternative and less blatantly ideological models of mature industrialism can be developed, by revising the assumptions made about the logic of the industrialization process. Students of Japanese society, for example, noted the persistence of ascriptive elements in the industrial culture of that country, elements which appeared to be compatible with a high rate of technological advance, aided organizational functioning, and prevented industrial unrest. They argued that emergent tendencies in the labour-markets, in the labour relations, and in the industrial enterprises of societies like the United States and Britain suggested that these nations might well be converging on a quasi-Japanese model of mature industrialism. The pattern of Japanese industrialism and industrial management has kept alive the search for universal and convergent trends affecting a number of highly industrialized societies in the form of theories of post industrialization.

The notion of an abstract type of industrial society, with causal implications for the study of contemporary social change, is open to the same objections as its celebrated rival, the theory of capitalist society. Arguably, both are over-generalized, and cover too large an expanse of time and space to be of value for rigorous analysis. Even when reduced in scope they tend to ignore the specifics of history and culture. In particular, similar technologies injected into different social and cultural meaning systems may mean that individual nations coexist as similarly industrialized states, but remain vastly different entities in most other respects. The analytical usage of industrial society considered above is also open to objection on the grounds that its pedigree as a species of evolutionary theory implies the following: that the principal processes of social change are endogenous rather than exogenous; that the most decisive processes of social change are economic or material, rather than cultural, political, or military in nature; and that a society is the same thing as the nation-state. None of these statements would go unquestioned today and the concept therefore, probably belongs to the discipline's past rather than its future.

percentage of people constitute the upper class, but they control vast amounts of wealth and power. Those in this class are the elites who, in Marxist terms, own the means of production. They exercise enormous control over the society. However, most of their wealth is inherited.

Members of the upper class with newly acquired wealth are known as *nouveau riche*. Like the old rich they lead lavish lifestyles, however, they are often not accepted into old rich circles, where wealth is not the sole defining characteristics of the upper class. Social connections and family prestige can be as important as money at the pinnacle of the class structure.

The 'upper middle class' includes people with high incomes and high social prestige. They tend to be well-educated professionals or business executives. Their earnings can be high – successful business executives can earn millions in a year. It is difficult to estimate exactly how many fall into this group since it is difficult to draw a line between the upper middle and middle class because their lifestyles set the standard to which many aspire, but this lifestyle is attainable by most.

The 'middle class' is probably the largest group in the class system in industrial society. It includes people who fall within a given range above and below the median figure. Many people think of themselves in the middle class although their income and lifestyles may differ quite dramatically.

The 'lower middle class', also known as the working class, includes blue collar workers (those who in skilled class who do manual labour), low income bureaucratic workers (clerks, etc.), many service workers, such as secretaries, hairdressers, waitresses, police, etc. They have low educational attainment; and their lower occupational prestige makes them lower to the upper middle and middle classes.

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The 'lower class' comprises the displaced and poor. Poor in this class have little formal education and are often unemployed or working in minimum wage jobs. Recently, the concept of 'underclass' has been added to the lower class. The underclass includes those with little or no opportunity for movement out of the worst poverty. These people have been left behind by contemporary economic developments and are likely to be unemployed. Without work and unable to sustain themselves in an economy that has discarded them, these groups form a growing underclass—a development that has exacerbated the problems of urban poverty and created new challenges for social policy makers if we are to reverse this trend.

SOCIOLOGICAL ANALYIS OF EFFECT OF INDUSTRIALIZATION ON INDIAN SOCIETY

India is a land of immigrants. Migration into the country has been taking place since time immemorial leading to a cultural exchange between Indian and other countries. Thus, Indian society consists of people from different religious, linguistic and ethnic backgrounds. Since Independence in 1947, the country has been engaged in the gigantic task of nation-building. Efforts have been made to put the nation on the path of socio-economic development. The transformation of India as a self-sufficient and cohesive political entity has proved to be a difficult challenge. The colonial past, socio-economic disparities in society and raised aspirations have culminated in a complex situation. Traditionally, Indian society was hierarchically arranged and the different communities and caste groups showed a pattern of social distance in which low castes, tribals and minority groups were discriminated against and looked down upon. Many of the communities were considered as untouchables.

Slums

One of the main problems resulting from immigration from rural areas to urban districts is the growth of slums. These form an inadequate environment for children particularly, since parents in cities have to work, the control of family on children attenuates. Young children may imitate bad role models and may join groups that are liable to crime. Thus, instances of substance and alcohol abuse, playing truant and behavioural disorders such as aggressiveness increase. Unemployment, environment, and traffic further add to the disharmony.

A discordant structure and maladjusted lifestyle may cause intense hate and feelings of revenge. Such individuals may express their hate through violence, intensive disobedience, hostility to parents and authority, telling lies, burglary, fraud, playing truant, aggressiveness, fighting, torture, incitement, sexual behaviour disorders, and alcohol and drug addiction. Factors such as deterioration in economic status and unemployment play an important role in violent behaviour. The characteristic of population, demographic movements and social changes have roles in psychosocial aspects of violence.

It is reported that rapid demographic change and economic development reduce violent behaviour.

The young person, as an obscure unemployed person, comes downtown by the attractiveness of the city. Lack of family support, being unemployed, social class difference, and prevalent crime factors in cities make suitable environment for crime. A low level of economic status in community, even if it is indirect, affects adaptation to city-life negatively.

Unemployment or the threat of it may expose an attack against the social identity and welfare of individuals. Unemployment may trigger mental disorder in predisposed persons. Whatever the condition, any migration exposes immigrants to mental stress.

Therefore, there is a possibility that the balance, which an individual made in his/her originally adapted environment, may mildly or heavily, continuously or discretely deteriorate in the new environment.

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URBANIZATION

Urbanization, in a true sense, commenced only post-Independence although there were conglomerates and cities even earlier. The first pressure on urbanization came when there was large influx of population from Pakistan. The situation gradually changed and the next wave was of people who came in search of better opportunities although it was not necessarily due to the establishment of industry. Table 12.2 shows the growth of urban population from 1901 to 2001.

TABLE 12.2 Urban Population of India 1901–2001

Census Years	*Number of Urban Agglomeration/ Town*	*Total Population*	*Urban Population*
1901	1827	238396327	25851873
1911	1825	252093390	25941633
1921	1949	251321213	28086167
1931	2072	278977238	33455989
1941	2250	318660580	44153297
1951	2843	361088090	62443709
1961	2363	439234771	78936603
1971	2590	598159652	109113977
1981	3378	683329097	159462547
1991	3768	844324222	217177625
2001	5161	1027015247	285354954

Source: Various Census Reports

The population of today's Indian cities is a microcosm of the nation as a whole—a rich mix of communities, cultures, professions, and income classes from the most deprived sections of society to a middle class majority that is at the heart of India's social and economic transformation. However, the cities' administration has not kept pace with their growth.

From the data available it has been observed that the growth in urban India has come from organic growth in city population, along with a reclassification of rural areas and the expansion of city boundaries. This situation is generating pressures on cities which were meant for a definite size of population. The limited civic facilities, civilian organizations and structures are facing difficulties in meeting the demands of the people.[17] The mega cities like Mumbai, Kolkata Chennai and Delhi have crossed the limits for which they are capable of. This situation creates a number of problems such as unauthorized and illegal activities, emergence of slums, problem of waste disposal creation of foles, crime, and health-related problems. The social organization, economy and environmental planning in many cities are becoming unmanageable.

Urbanization is linked with consumerism and individualism. Consumerism emphasizes exploitation of resources for personal consumption without any concern for society and environment. Similarly, the individualistic attitude favours the view that the individual is the ultimate reality and all processes need to be explained at an individual level. The individual is free and responsible to his or herself only.

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Basic Features of Urbanization in India

1. Urbanization occurs without industrialization and strong economic base.
2. Urbanization is mainly a product of demographic explosion and poverty-induced rural-urban migration.
3. Rapid urbanization leads to massive growth of slums followed by misery, poverty, unemployment, exploitation, inequalities, degradation in the quality of urban life.
4. Urbanization is taking place due rural push and not urban pull.
5. Poor quality of rural-urban migration leads to poor quality of urbanization (Bhagat, 1992).
6. Distress migration initiates urban decay.

Growth of Slums

Urbanization has resulted in increase in need of labour, compelling people from distant places to move to meet its requirements. These people come and start living in shanties and shabby, over-crowded places as there is shortage of accommodation. This has given rise to slums. The '*ahatas*' of Kanpur, '*bastis*' of Delhi, '*chawls*' of Mumbai and '*cheris*' of Chennai are a result of industrialization.[18]

Decline in the Community Feeling

The first and foremost impact of urbanization in India is the increase in the population of the cities, which in turn, has resulted in the progressive decline in the feeling of the 'community'. In cities, almost everyone's activities are self-centered and governed by the calculus of self-interest and personal gains.

Decline in Social Control

The decline in feeling of community has resulted in a decline in 'social control'. Due to a lack of community feeling and the fear of social disapproval, people have become increasingly individualistic and even arbitrary in conduct. Thus, in cities today, the glaring neglect of customs and traditions and contempt of social approval exists. Everybody wants to do whatever they please.

Decline in Family Control

People move to places of work at great distances from their family, and this results in them staying away from the influence and control of the family for most part of their life. Hence, there is progressive decline in the control of family over its members. The modern means of leisure—cinema, fashion, clubs, etc. have greatly contributed to this decline.

Increase in Male Ratio

There has been a sharp increase in the male ratio. The two main factors are the need for a working hand in industry, and the psychological factor or the desire for an Indian family to have a son, believing that girls would leave the home after marriage. use and the cost that is going to incur in case there is a girl in the house.

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Employment Generation

The Indian Census of 2001 classified migration under seven heads, viz. work/employment, business, education, marriage, moved at birth, moved with family, and others. It revealed that employment was the main reason for migration amongst men and marriage amongst women. Indian cities like Delhi, Chennai, Mumbai, Kolkata, etc. have reached the saturation level of employment-generating capacity. So, there is a transfer of rural poverty to urban poverty, especially among the illiterate and unskilled labour.

ECONOMIC CONSEQUENCES OF INDUSTRIALIZATION

Growth of capitalism and mass production have been discussed above.

Enactment of Laws: India government enshrined in its Constitution, the protection of rights of the workers. To ensure that the rights are maintained and there are harmonious industrial relations, the government also enacted number of laws. It laid down rules for wages, bonus, hours of work, gratuity, pension, and so on.

Two Lakh Displaced by the Games Still Languish: Report

New Delhi: The day Chief Minister Sheila Dikshit completed 12 years of uninterrupted governance of Delhi, she also had to contend with a piece of news that was not really music to her ears. On Monday, a report on eviction of slum-dwellers and those residing on project sites during the Commonwealth Games 2010 revealed a tragic tale of how human rights were grossly violated. According to rough estimates, two lakh people were displaced in different Games-related projects and at least 18 people died during and in the aftermath of the forced eviction due to loss of livelihood and the means to survive.

"Till today, most of the slum dwellers rendered homeless and jobless in the process, continue to live a miserable life mostly on the streets or in makeshift tents. The government has failed to provide rehabilitation," says Shivani Chaudhry, who heads the House and Land Rights Network (HLRN) NGO, which conducted the survey covering 19 sites. She said that the government "forcibly" evicted families because of the Commonwealth Games, "for reasons ranging from construction of infrastructure to security and city beautification". Among the sites mentioned are the ones in east Delhi opposite the Commonwealth Games Village and opposite the Thyagaraja Stadium in south Delhi.

Chaudhry said that the huge parking space and elevated road created on the Barapullah drain, in which more than 315 homes were demolished, remains underutilized. "The stadia and many other infrastructure projects created during the Games are not being used. This reality questions the very purpose of, and need for, the evictions," she added. NGO members claimed the Games were used as an excuse to demolish informal settlements across the city, as part of the Delhi Government's broader agenda of creating a 'worldclass' and 'slum-free' city with no space or provision for adequate housing for the urban poor.

Former Delhi High Court Chief Justice A P Shah, who released the report titled 'Planned Dispossession: Forced Evictions and the 2010 Commonwealth Games', said there has been a "failure of the political and legal system" to investigate, try and prosecute officials who had violated human rights.

Sajjid, whose home at the Cement Godam Basti was demolished while he was in his village in Bihar for the festive season, said that he had lost all his possessions including 33 litres of cooking oil, a cooking stove, a bed and also the cart on which he sold vegetables to earn a living. "I sent my family back to the village after the demolition. Soon, I will have to move away as there is no place to live," he said. Shanti, a 62-year-old woman who used to sell *paan-bidi* on the footpath in Lodi colony, said that even after the Games, the authorities did not allow her to start work. "I have 11 grandchildren, born to two deceased sons, and due to lack of money, they are starving. We have no place to live either," Shanti added.

Durgesh Nandan Jha, TNN, *www.indiaenvironmentportal.org.in/.../2-lakh-displaced-games-still-languish-report*

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MIGRATION

Kingsley Davis, in his work, had pointed out that internal migration in the Indian Subcontinent has been historically low. This, he attributed to the prevalence of the caste system, joint families, traditional values, diversity of language and culture, lack of education and predominance of agriculture and semi-feudal land relations.[19] But the rapid transformation of the Indian economy, improvement in the levels of education and that of transport and communication facilities, shift of the workforce from agriculture to industry and tertiary activities, etc. have an impetus to the mobility of Indian people in recent times. The 2001 census revealed that the migrant population is approximately 30 per cent of the Indian population. Bilsbrow observed that "the advantages of urban areas are now recognized by most scholars, but not yet by most policy makers in developing countries."[20]Rural to urban migration is generally a positive move for the migrant, because people migrate only if the expected economic benefits exceed the economic costs. This is in line with the current economic thinking that labour moves from low-wage to high-wage areas until wage differentials equal migration costs. Overall, migrants tend to benefit economically, the migrant minimizes the risk associated with agriculture and benefits from the comparative social and economic advantages of different locations. Rural to urban migration has positive social and societal impacts. Women migrants often adopt urban fertility norms, and gender roles and ideas about education also change.

Migration does not always involve a permanent change of residence. There are many types of migration and equally variant migrants. Bilsborrow distinguishes permanent or long-term migration, temporary, circular migration and commuting.[21]

For example, Bhagyawati, a member of a lower caste who lives in rural Andhra Pradesh, India, travels to Bangalore city with her children to work on a construction sites for six months every year, earning Rs 60 to 80 per day (approx $1.75). While away from home, her children do not attend school because it is far from the construction site and they do not know the local language. Bhagyawati is not entitled to subsidized food or health care, nor does she vote, because she is living outside her registered district. Like millions of other internal migrants, she has few options for improving her life other than to move to different cities in search for better opportunities.

Most migrants reap gains in the form of higher incomes, better access to education and health, and improved prospects for their children. Surveys of migrants report that most are happy in their destination, despite the range of adjustments and other obstacles typically involved in moving. Once established, migrants are often more likely than local residents to join unions or religious and other groups. The poorest have the most to gain from moving. While not a substitute for broader development efforts, migration can be a vital strategy for households and families seeking to diversify and improve.

EVOLUTION OF NEWCLASS: MIDDLE CLASS

One of the more noticeable outcomes of the recent socio-economic and political processes in India has been the emergence of the socio-economic group described as the 'middle class'. By all reasonable estimates, the middle class in India is bigger in size than the entire population of many nations. The 'middle class' is an over-used expression and difficult to pin down, since it is defined not just in terms of income, but also as values, cultural affinities, lifestyles, educational attainments and service sector employment. The conceptual and political boundaries of the Indian middle class rested on mediation between the colonial rulers and colonial subjects. The relationship was premised on subordination to colonial power, but at the same time, provided a cultural leadership to the indigenous people.[22] In post-colonial India, the middle class were identified as

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'Nehruvian civil service-oriented salaried, short on money but long on institutional perks.'[23] In the contemporary period, the 'new' middle class, as a social group, is depicted as negotiating India's new relationship with the global economy in both cultural (socio-symbolic practices of commodity consumption) and economic terms (the beneficiaries of the material benefits of jobs and business in India's new liberalized economy).[24]

Most Influential Groups in India

Pre 1991

1. State bureaucracy
2. Big industry
3. Big farmers
4. Major trade unions.

Post 1991

1. State bureaucracy
2. Big industry
3. Media
4. Ethnicity-based organizations

The middle class can be described as 'seekers' and 'strivers'. The seekers range from young college graduates to mid-level government officials, traders and business people. They enjoy a lifestyle that most of the world would recognize as middle class and typically own a television, a refrigerator, a mobile phone and perhaps even a scooter or a car. Although their budgets are stretched, they scrimp and save for their children's education and their own retirement.

Strivers, the upper end of the middle class, tend to be senior government officials, managers of large businesses, professionals and rich farmers. Successful and upwardly mobile, they are highly brand-conscious, buying the latest foreign-made cars and electronic gadgets. They are likely to have air conditioning, and can indulge in an annual vacation, usually somewhere in India.

As income growth rolls across Indian society, the character of consumption is changing dramatically. A huge shift is underway from spending on necessities such as food and clothing to choice-based spending on categories such as household appliances and restaurants. Branded clothes are becoming *de rigueur* for wealthy Indians—Christian Dior, Louis Vuitton and Tommy Hilfiger already have a presence in the country. Gucci, Armani and Versace are on their way. For generations, Indians did their daily shopping at fresh-food markets and regarded packaged foods as "stale." However, just like their Western counterparts, a new generation of busy urban Indians is appreciating the convenience and choice offered by packaged foods. Likewise, many Indians have traditionally viewed gold jewellery as a safer way to save than banks, but young Indians today are likely to see jewellery as a fashion statement, not a saving plan. They are also increasingly comfortable using credit cards—the share of Indians who carry plastic has quadrupled since 2001.

Children's future and education are key concern and priority. This class has high aspirations with 43 per cent wanting their children to get a masters degree and 29 per cent, a doctorate. Female literacy too is high. Their other major concerns are the rising prices and medical costs. The neoliberal rhetoric of individualism,

"Bhadralok"

The lower middle-class in Bengal has been defined in terms of both, a particular economic racket and a cultural milieu. Their mean household income is just under Rs10,000/- per month. In cultural terms, this group forms part of the Bengali *bhadralok*; a multivalent term that predominantly means 'respectable people'. The *bhadralok*, over the past two-centuries have been distinguished by their refined behaviour and cultivated taste, but not necessarily substantial wealth and power: a change from their traditional position as a reasonably well-off, educated and cultured status group. The *bhadralok* are now a heterogeneous group and often indigent. They value education for their children and attempt to maintain a veneer of their erstwhile esteemed social status by engaging in writing, music and the arts, but the economic reality of the present has meant that the penchant for cultural pursuit (the traditional status maintainer) is disappearing. Instead, conspicuous consumption has increasingly become an important determinant of status (see Scrase 1993). It is important to note that the downward mobility of the *bhadralok* began several decades ago following the partition of Bengal and is not specifically due to globalization.

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competition and marketization acts to structure the middle class perceptions of what constitutes a 'good' and 'productive' worker. This rhetoric has even engulfed the public sector employees who embrace the ideologies espoused in the hope of protecting their jobs and positions. In terms of work, a further divide is opened up between manual workers and those who largely work in the service sectors and professions. Manual workers, labourers and the like become increasingly marginalized by policies, and have little political support for their plight. The educated middle classes adapt to the neoliberal world by sending their children to private, English-medium schools, and reluctantly support the very parties (especially the Hindu-nationalist BJP and the Congress) that are the prime instigators of the reforms.[25]

Schools as Grooming Ground for Getting Along

School makes us aware of the culture in our daily life. Schools in India play a dominant role in exposing children from different castes and cultures to those that are different from their own. It has been observed that children easily set aside their differences and get to know one as compared to adults. In any Army School, a few students are locals but the majority are from different parts of the country with wide variations in their religion, language, caste, culture and even thinking processes. These schools and Kendriya Vidyalayas have contributed immensely in developing the habits of getting along. The boys/girls come together and share their common time and sit together to eat. Even if they can't communicate due to language differences, they help each other in class and assignments. Over time, children get to know each other better, become friends and begin to celebrate each other's holidays.

If India has to become a more tolerant and vibrant society, there needs to be greater understanding and cooperation and this originates in the small-group interactions of children in settings such as the school.

CASTE SYSTEM AT WORKPLACE

The structuring principles of the caste-system are 'reproduced non-identically',[26] in India's modern industrial work-context in two core respects. Firstly, the principle of hereditary specialization is socially functional in that there is a strong correlation between certain caste-backgrounds,[27] educational-choices and professions. Secondly, and more significantly, the principle of the opposition of the pure and impure remains strong. It finds expression in a marked social distance between different employee categories[28] and in a strong preference of mental over physical work. The low prestige for physical work finds different expressions. Ramaswamy[29] states, for example that 'land labels' such as 'operators', 'technician' and 'craftsman' are increasingly the mean or minimum expectation, especially in high technology industry where the more conventional 'worker' is itself an opprobrium'.[30]

> " Industry is replete with evidence of the search for designations, especially expressive ones which stress rank and progression from physical to mental work, and the creation of new layers of hierarchy to accommodate new designation."[31]

Generally, manual activities provide much lower prestige as compared to clerical work no matter how simple it may be, (Interview Director General Indo-German Chamber of Commerce, 2003). Needless to say that cleaning activities are amongst those with the lowest prestige. Perceived as 'polluting', cleaning activities are still largely reserved for the lower social strata or castes.

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National Policy for the Empowerment of Women (2001)

The principle of gender equality is enshrined in the Indian Constitution in its Preamble, Fundamental Rights, Fundamental Duties and Directive Principles. The Constitution not only grants equality to women, but also empowers the State to adopt measures of positive discrimination in favour of women.

The National Commission for Women was set up by an Act of Parliament in 1990 to safeguard the rights and legal entitlements of women. The 73rd and 74th Amendments (1993) to the Constitution of India have provided for reservation of seats in the local bodies of *Panchayats* and Municipalities for women, laying a strong foundation for their participation in decision-making at local levels.

India has also ratified various international conventions and human rights instruments committing to secure equal rights for women. Key among them is the ratification of the Convention on Elimination of All Forms of Discrimination Against Women (CEDAW) in 1993.

The Mexico Plan of Action (1975), the Nairobi Forward Looking Strategies (1985), the Beijing Declaration as well as the Platform for Action (1995) and the Outcome Document adopted by the UNGA Session on Gender Equality and Development & Peace for the twenty first century, titled 'Further actions and initiatives to implement the Beijing Declaration and the Platform for Action' have been unreservedly endorsed by India for appropriate follow-up.

The goal of this Policy is to bring advancement, development and empowerment of women. The Policy will be widely disseminated to encourage active participation of all stakeholders for achieving its goals. Specifically, the objectives of this Policy include:

(i) Creating an environment through positive economic and social policies for full development of women to enable them to realize their full potential

(ii) The de-jure and de-facto enjoyment of all human rights and fundamental freedom by women on equal basis with men in all spheres — political, economic, social, cultural and civil

(iii) Equal access to participation and decision-making for women in social, political and economic life of the nation

(iv) Equal access for women to healthcare, quality education at all levels, career and vocational guidance, employment, equal remuneration, occupational health and safety, social security and public office, etc.

(v) Strengthening legal systems aimed at elimination of all forms of discrimination against women

(vi) Changing societal attitudes and community practices by active participation and involvement of both men and women

(vii) Mainstreaming a gender perspective in the development process

(viii) Elimination of discrimination and all forms of violence against women and the girl child; and

(ix) Building and strengthening partnerships with civil society, particularly women's organizations

Decline in the Influence of Religion

Increase in population, living in the same multi-storeyed buildings, loss of control of family, sharing time of leisure have resulted in people being guided and governed by personal considerations and not by traditions and religious considerations. The corollary is that it has also led to fanaticism and is one of the causes of present day religion-based terrorism and incorrect behaviour of people.

CHANGE IN INSTITUTION OF FAMILY

Industry's greatest impact has been on the institution of the 'family'. The joint family is slowly getting extinct and is being gradually replaced by the 'nuclear family'. However, extended families still dominate, and the father or the elder in the house is consulted even if they live apart. Traditionally, the Indian family is an extended or joint family where upto four generations live under the same roof. The decision-making rests mainly with the father of the family who involves with eldest son. After the father's death, responsibility

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is transferred onto the eldest son. As such, the typical Indian (Hindu) family is patriarchal and hierarchical with the family bonding fundamentally based on father-son and brother-brother relationships. While it is true that the Indian family is shifting towards a nuclear set-up — with people not living in single household any more — it is also true that traditional family ties remain functional. If, for instance, the eldest brother passes away, next eldest son becomes responsible for the whole family. Children are raised with subordination and deference towards the father and the elders and other authorities are among the corner stones of socialization. Kanungo (1994) states:

"Unconditional obedience by surrendering to authority is considered a virtue. Personal initiative, originality and independence in thinking and decision-making in every sphere of life meet with social disapproval. As a result, independent thinking and reasoning […..] diminishes." (Kanungo, 1994: 214).

Change in the Condition of Women

With the changes in the institution of family, women are getting more educated and independent. They are increasingly conscious of their rights and privileges but along with it there is also tendency to arbitrary and willful conduct. Instances of illicit sexual relations, divorce, etc. are also in the rise. Ostentation and increased fashion consciousness have also become the order of the day.

Changes in the Institution of Marriage

The caste system mandates that people marry within their own group, thus ensuring that their children are not mixed. Endogamy, maintained through a system of arranged marriage, has been the tradition in India for centuries. Though the practice of endogamy is still strong in India, today, perceptions and attitudes toward endogamy appear to be changing, along with the perception and practice of arranged marriage.

According to Doherty "the institutional family represented the age-old tradition of a family organized around economic production, kinship network, community connections, the father's authority, and marriage as a functional partnership rather than a romantic relationship…Family tradition, loyalty, and solidarity were more important than individual goals and romantic interests."[32] Institutional families are characterized by responsibility as their principal value. Urbanization and individualism emerged gradually in the West and also in India. Kinship ties weakened while values such as self-actualization and individual achievement emerged.

"In the culture of individualism, relationships are based on 'contracts'—what people can do for each other, rather on traditional 'covenants'—virtually unbreakable commitments based on loyalty and responsibility."[33] What happened in West in twentieth century is being replicated in India. The emergent concept of 'companionate' or 'psychological marriages' are a more private affair. It is more mobile, less tied to extended family, kin networks and the broader community. "It is aspired to something unprecedented in human history; a family based on the personal satisfaction and fulfillment of its individual members in a nuclear two-parent arrangement,"[34] with 'flexibility' (flexibility added by author). Technological progress, income growth, and the rise of the service economy have dramatically altered the returns on different kinds of work.[35] While it was once economically advantageous for women to focus on the running of the household, this has changed over last two decades. It is now far more economically optimal for women to join the paid labour force and for the household to purchase goods and services in the marketplace. These developments have reduced the gains for being married. In addition, because women have greater personal economic resources than in the past, they can more easily divorce or choose not to marry. This participation of women in the workforce is strongly related to late marriages, higher rates of divorce and one-child norms. The new values in marriages are 'tolerance' and 'diversity', rather than one ideal (e.g., companionship, gay marriages).

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Under the 'companionate' model of marriage, men and women first establish themselves as independent adults, with their own careers and resources, then wed in order to secure companionship and love, pursue shared interests, and enjoy couple-centered activities. With necessities of life secured, marriage becomes more about climbing the upper levels of hierarchy of needs (Maslow's Theory). In this system, women's earnings have become a major predictor of marriage. Women with greater economic resources are now significantly more likely to marry.[36] This has broken the stranglehold of arranged marriage within caste or community in India.

Perceptions and practices regarding arranged marriage are clearly beginning to change. Courtship, dating and falling in love prior to marriage was a foreign concept in India where families negotiated a dowry, often with the help of a matchmaker, and their children had little say in the process. Today, however, with transportation, migration and modernizing influences of mass media, the idea of "love marriage" is beginning to take hold. It is not uncommon for young men to articulate their preference to find and fall in love with a girl before marriage. Hindi movies and television programmes depict this on a regular basis, and more and more young people are verbalizing their preference in a spouse. Yet, despite this professed preference of marriage, only few still consider a "love marriage". The couple, if from the same village, does not live in the village any longer and have to migrate to a city or town away from the village to avoid social ostracism.

Same Sex Couples

"Despite unfriendly social conditions," many gay and lesbian couples live together in long-term "committed relationships". Partners may exchange vows or rings or both. It is not a recent development but dates back to time immemorial and finds reference on temple walls, the Old Testament, etc.

SOCIAL STRATIFICATION

India's social stratification and family patterns play a crucial role. Contemporary India can hardly be classified as a pure caste-society. Instead, ascriptive and meritocratic status-criteria exist side by side. Particularly in the urban and industrialized regions, with the emergence of new modern professions, traditional caste-related occupations have partly lost their meaning. However, while meritocratic status-criteria are becoming increasingly important, it is also true that ascriptive (i.e. *Jati* and *Varna*) and meritocratic status-criteria (income, educational degree, and designation held) are not readily separable (Bronger, 1996; Sharma, 1997). After all, the social status of an individual or rather of the joint family – whether they live in one household or not – is crucially defined by a combination of class-and-caste-specific attributes. There is a coexistence of modernism and traditionalism where formal educational degree, profession and designations held in a company combine with traditional caste-backgrounds. The most shining examples of this coexistence are weekly newspaper marriage market advertisements. For example, in the Hindustan Times, under the category 'Brides Wanted for Brahmin' we can read:

Wanted: Really Beautiful Professional girl below 25 yrs for Delhi based Status Gaur Brahmin boy B.E., MBA, 30/174/12 Lakhs [income] p.a... Manager in Top MNC. Reply with Horoscope & Photo to […]. (Hindustan Times, 2007)

This shows that professional advancement in an organization and the status of the family are closely connected. Tayeb[37] stresses that professional success of an individual is always connected to the success of the whole family. As hierarchical designations are one of the most visible signs of success, there is a permanent family-induced pressure for advancement in the organizational status hierarchies (Ramaswamy, 1996). Although, job content often does not even change, companies have increasingly given in to demands for better designations to avoid losing their best employees.

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Social Stratification and Organizational Hierarchies

In India, particularly the old family enterprises and Public Sector Undertakings (PSUs) dating to the pre-liberalization era, feature extensive hierarchies. Such organizations can have up to 20 hierarchical levels. The background of this proliferation of hierarchical levels and corresponding designations can be explained by the general importance of hierarchy in family and social stratification and also by the developments of PSUs. In PSUs the pay rise was limited by government regulation, therefore, there wasn't a pronounced difference in pay between workers and managerial levels. At the same time, this lacking differentiation—in a highly demarcation-conscious society –was compensated by quasi-automatic advancements in the organizations to higher pay.

In contemporary India, family patterns and social stratification play a crucial role. The overall result is that many organizations have seen tremendous inflation in hierarchical designations and reporting levels (Bhadury, 2000). In India, a typical 'organizational chart would show structures which are neither pyramidal, but shaped like a barrel, with a bulging midriff and a flat top not very much smaller than the bottom'.[38]

TABLE 12.3 Institutional Foundations of Work Dispositions and Indian Work Context

Compartmentalized vocational training and technical education	The workers keep great social and professional distance between 'white' and 'blue' collar workers
Content in training varies	Low appreciation of physical and manual work
Polytechnic-trained play weak roles as practical trainers	Supervisor levels dislike physical involvement on the shop floor
IS SOMETHING MISSING HERE?	Workers do not generally accept supervisors as trainers
Socialization patterns create hierarchal relationships	Do not take up responsibilities
Strong hierarchies	Associate decision-making with specific organizational authorities.

Source: Adapted from "India as an Institutional and Strategic Context".

CHILD LABOUR

India has the dubious distinction of being a nation with the largest number of child labourers in the world. Poverty is one of the main reasons for this phenomenon. Unrelenting poverty forces parents to push their young children into all forms of hazardous occupations. Child labour is a source of income for poor families. They provide help in household enterprises or in household chores in order to free adult household members for economic activity elsewhere. In some cases, the study found that a child's income accounted for between 34 and 37 per cent of the total household income.

In India, the emergence of child labour is also because of unsustainable systems of landholding in agricultural areas and the caste system in the rural areas. Bonded labour refers to the phenomenon of children working in conditions of servitude in order to pay their debts. The debt that binds them to their employer is incurred not by the children themselves but by their parents. The creditors-cum-employers offer these loans to destitute parents in an effort to secure the labour of these children. These arrangements between the parents and contracting agents are usually informal and unwritten and the number of years required to pay off such a loan is indeterminate. Lower castes such as *dalits* and tribals are vulnerable groups for exploitation. Child labourers often endure miserable and difficult lives as they earn little and struggle a lot to earn enough to feed themselves and their families. They do not go to school; more than half of them are unable to learn the barest skills of literacy.

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The Government of India has enacted many regulations to curb this evil; however, it is still prevalent in society.

PSYCHOLOGICAL IMPACT

Lack of Tolerance

The heterogeneity of groups living in a city/town has led to a lack of tolerance among them. In a village, the population is homogenous and people living there share many a common bond. In cities, there are few common bonds; differences in religion, norms and customs are far more pronounced. In fact, people in cities are often in state of conflict; different groups incite trouble exploiting various grievances. The extremely inhibited ways of life and gap between the rich and the poor are a source of unrelieved bitterness and antagonism.

Sense of Vulnerability

The interdependency between industrialization and urbanization inevitably leads to an urban dweller experiencing a traumatic change at the level of identity and behaviour. Urbanization prompts a persistent feeling of vulnerability towards sophisticated system of life and work. Accordingly, to maintain a job, personal status, or personal worth, one has to comply with the rules and regulations put in service of competition. The anonymity is the outcome of the adherence to conformity and identification with the system of competitiveness, which leads to many norms and values being shaken, causes upheaval and shakes the very foundations. Some of these face the threat of disappearing and leaving a feeling of alienation that kills a sense of belonging.

OUTSOURCING INDUSTRY

The 'outsourcing industry' has improved the Indian economy primarily by employing a large number of people, and building and maintenance of infrastructure. Outsourced projects offer people opportunities to know and work in multinational corporations. BPO companies also provide ample opportunities for women and as such help them in their liberation and liberalization. Outsourcing companies in cities have a large percentage of women workers. However, this has also caused a loss of several cultural and traditional benefits. These outsourcing companies and projects emphasize on foreign cultural values, the place from which the original project has been outsourced. Holidays, work culture, and day-to-day dealings tend to lay greater importance on the social norms that are not part of our system or community. As such, we are adapting and accepting the dominant foreign culture and yielding to their values. Nevertheless, people should appreciate that this has given employment to a number of people and opened up opportunities to learn new and exciting things. If we resist the intrusion of values and keep our professional lives distant from our personal lives, it will serve better and help us in the long run.

IMPACT OF TECHNOLOGY

New technologies cause economic disparities, which impact all spheres of an industrializing society. In a culture that is centered upon modern technology, the ability to access it is absolutely necessary for an individual

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Characteristics of the New Inequality

A few examples of workfare in India are: In Meerut, a special van-taxi takes children to schools and university and city personnel to work. Here, temporary employees act as chauffeurs for these "high-income, urban employees". Crystal Palace, a local hotel, employed four people "from the bottom of the labour market" as shoe shiners. In a village nearby 100 unemployed youth are working to clean a pond under National Rural Employment Guarantee Scheme. Besides these examples, thousands already work as street-cleaners, car-park attendants, hospital cleaners, and so on. At most, they are paid slightly more than minimum wages. All these jobs share one characteristic—the unemployed will never have the income and social status of the people they serve; they will never have the money to have a holiday or they will never be a professor at Chaudhary Charan Singh University. Almost certainly, neither will their children. These examples illustrate the term 'new inequality' better than the usual statistical approach. In the United States, the term 'new inequality' was first used to describe growing income inequalities. For a generation, the lowest incomes in the US have stagnated, but higher incomes have risen dramatically. In Europe, income inequality is not the whole story. The nine characteristics listed here summarize the new inequality in India in more abstract terms.

1. The primary characteristic of the new inequality is a political belief that society has become so complex, that many in the population can not fully participate in it. This is what makes the new inequality different. So far social complexity was not used as a political or moral legitimation of inequality. New inequality refers to the future, not the past, for its justification. It is based on a **social division into 'producers' and their 'servants', legitimized by the claim that this protects the 'servants', and gives them a social role.**
2. Associated with this belief, is a **return of traditional legitimating of inequality**. In 'new inequality' societies, most high-income earners believe that they are biologically superior to low-income earners.
3. The social policy context in this kind of society is the **abandonment of social mobility as a social goal and ideal**. The wave of new workfare projects in India are a similar rejection of the ideal of equality. Workfare projects characteristically include no social mobility provisions. The National Rural Employment Guarantee Scheme is one such. If they include training, it is for a job at the same level as the workfare project.
4. As a result of these attitudes and policies, the State, not Infosys-type employers, becomes the main provider of new low-income jobs. All over India, thousands of unemployed are being placed in workfare projects. Typically, there is almost no production work. Welfare projects include no capital investment, and productivity is inevitably very low.
5. In the long term, **workfare will become the only future for a large group**. What is worse than an underclass of *dhaba* employees? An underclass excluded even from work at a *dhaba*. This is what is emerging in India—people excluded even from some non-employment activity. Workfare is local: the unemployed must work in their own region. These are uncontroversial stereotype examples to emphasize the limited range of workfare jobs.
6. The Left and social organizations are the political motor in the formation of a servant underclass, using the social security system. This, in turn, is based on a consensus of Left and Right to accept permanent inequality. The answer of the Left to this inequality is the creation of "socially useful work" - workfare.
7. The new inequality is permanently present, even for those with real work: it means **lifelong testing, the inevitable consequence of lifelong education.** A society which emphasizes employability is a sort of student's nightmare - examinations every month. Ironically, those at the top will sometimes be tested less simply because they are so difficult to replace anyway. At the middle range, the pressure on the employed will be very great: they are replaceable. They will be constantly assessed, and constantly reminded, of what happens to those who fail. It is difficult to predict the consequences.
8. To guarantee employment status, beyond that of simple employee, **a university degree or equivalent will be the minimum qualification.** No one under this level will ever take any decision at work. In turn, this will reinforce the already negative influence of universities in India.

   Emphasis on education is not an inevitable consequence of a 'knowledge society', or 'information society'. There is no qualitative change of the kind implied by these labels, which itself 'causes' inequality. However, they imply that dramatic social changes are in progress. In turn, that suggests that some people cannot cope with them. This implicit secondary claim is used to legitimize the inequality.

(Contd...)

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(Contd...)

9. To some extent there will be a **revival of elite universities, and other elite institutions.** There is a debate in India whether there is a new 'overclass' to correspond to the 'underclass'. There are certainly new high-income professions. However, elites are not new in themselves nor are elite institutions or even elite nostalgia. Rather than a simple return to the past, it is probably more accurate to see this revival, as part of the 'constant-assessment' trend.

Entrance barriers to elite institutions (formal and informal) test those who want more than the new minimum. Ironically, the elite of university-educated, high-income professionals suffer functional homogenization. Their jobs have become so similar and managerial that they offer no distinctions of status. Within this group, social distinctions may become more important. **'Yuppie traditionalism'** is the result: attending traditional universities, classic styles in clothing, traditional weddings, etiquette, and reading English classics.

to be able to participate in the macro economy. In order for one to be able to access new technologies, they must be a member of the particular wealthy and comfortable classes who, essentially, control it. This in turn, causes major divisions between the haves—who use new technologies to their ever increasing advantage—and the have-nots who are outside the technological pail. Reddy wrote, "and thus, one comes to the next turn of the spiral…the increased inequality resulting from the initial unequal access to the new technologies stimulates the development of further advances in technology which will then accentuate the inequality even more."

This dichotomy between the upper and lower classes seems to have created two completely separate spheres of Indian society which are developing away from each other at an ever-increasing pace. The culture, beliefs, and, most pertinently, experiences of the technology class are quickly becoming so radically different from that of traditional, rural India that social upheaval is eminent.

Work Relationship

Socialization goals and structures of families also inter-penetrate into schools and ultimately into the work context. The authoritarian relationship in the family extends to authoritarian teacher-pupil relationships in school, with teaching methods resting on compliance and passive reproduction of knowledge. Patriarchal and hierarchical structures are also reproduced in the work context, like the father in the family is superior and is consulted on all major issues. 'Check with the boss' is the crux of the majority of the decision-making, which naturally shifts the locus of control into the highest position in the organization (Sinha and Sinha 1994: 167).

Kanugo (1995) sees authoritarian and patriarchal institutional patterns as the root cause for work dispositions marked by strong feelings of dependency, a tendency towards conformity and blind obedience. The overall implication of the socialization patterns cited is a general difficulty to implement equality-based work concepts in the Indian work context. At the same time, hierarchical and patriarchic relations place a great emphasis on certain authority figures, which renders it equally difficult to achieve a far-reaching taking of responsibility of individuals, especially at the lower levels of an organization. As a result, it is difficult to implement concepts such as management-by-objectives (MBO) or downward delegation in general.

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SUMMARY

In this chapter, we have studied industrial society, its unique characteristics of self, emphasis placed on deferred gratification, allocation of people to positions on their achievements, especially their education and technical competence rather than on traditional ascriptive characteristics such as family connections, race, or gender. Citizens are free to speak; one of the major institutions of the society, the 'government' is an ongoing public conversation. It has led to urbanization and breakup of old family systems (*Gesellschaft* which he associated with rise to industrialization and therefore, responsible for a decline of 'community'). In an industrial environment, punctuality, calculability, and exactness are forced upon life by the complexity and extension of metropolitan existence and are not only most intimately connected with its money economy and intellectualist character. It calls for a disciplined way of life.

Urbanization prompts in the dweller a persistent feeling of vulnerability, to maintain a job, a personal status, or personal worth. Individuals have to comply by rules and regulations put in service of competition. The anonymity is the outcome to the adherence to conformity and identification with the system of competitiveness. There is a decreased influence of religion. It has brought in a new stratification based on education, professional acumen, etc, giving rise to a middle-class, which plays an influential role in society. Industrialization also permits social mobility.

KEY TERMS

Adaptation
Competent
Dehumanizing
Egalitarian
Hereditary
Identity
Individual autonomy
Middle class
Nuclear
Outsourcing industry
Patriarchal
Separatist
Social stratification
Untouchability
Upper class

REVIEW QUESTIONS

1. How is society characterized? What are major differences in each category of society?
2. What do you understand by industrial society? What are its major characteristics?
3. What are the consequences of industrialization on society? Discuss.
4. How can the society be stratified? Which social stratification is most applicable to India? How does it impact functioning?
5. What is class in society? How does class affect behaviour in society?
6. Write short notes on:
   (a) *Gemeinschaft* and *Gesellschaft*
   (b) Abstract symbolic instruments
   (c) Individual Autonomy
   (d) Predictable and Universal Law
   (e) Estate System
   (f) Religious Tolerence
7. What do you understand by the term 'mass society', and what were its main characteristics?
8. Caste has been said to influence all aspects of life in India. Is it a unique feature only in India or does it exist in other parts of the world? How has caste stratified society in India? Discuss.

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9. Women in India have succeeded as nowhere else in the world. What factors hold back women in India? How has industrialization brought a change in women in India?
10. "Caste monopolizes power in the country." Discuss.
11. What are the social consequences of growth of industry in India? Discuss.
12. How have economic changes due industrialization affected Indian society? Elucidate.
13. How has the institution of marriage been affected by industrialization? Explain.
14. Discuss how industrialization has changed the power structure and social stratification in Indian society.

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CHAPTER THIRTEEN 13

Industrial Relations: Growth and Development

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- Definition and concept of industrial relations
- Labour movement
- Approaches to industrial relations
- Models and theories
- Role of government in industrial relations
- Freedom of association
- Tripatism and labour policy formulation
- Industrial disputes, lockouts, strikes, picketing and gherao
- Labour movement in India

MODI STEELS

For Modi Steels, labour had always posed major problems with regular strikes. In 2003, the Modinagar factory was closed for four and a half months. In 2009, Management of Modi Steels entered into a three-year bipartite agreement with the workers, represented by the then 10,000 strong Modi Steels, which also had the Uttar Pradesh government as a signatory.

On Aug 11, 2009 Rakesh was severely assaulted by four workers at the company's factory at Modinagar, while he was attending a business meet. The incident occurred after a member of INTUC, Arup Singh, met Rakesh to discuss the issue of the suspended employees. Arup Singh reportedly got into a verbal duel with Rakesh, after which the other workers began to shout slogans. When Rakesh tried to leave the room, the workers turned violent and

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assaulted him. This was the second attack on an officer after Rakesh took charge of the company, the first one being the assault on the chief welfare officer in 2003. In February 2009, a lockout was declared in Modi Steels. The lock out lasted for eight months until in October 2009, when Modi Steels signed a three-year wage agreement and the unit resumed production.

On March 8, 2010, a lockout was declared at Modi Steel's factory in Modipuram, following a strike by its employees' union. The new leadership of the union had refused to abide by the wage agreement, which was to expire in August 2012. Following the failure of its negotiations with the union, the management decided to go for a lockout. The Modi Steels management would have to bear the cost of maintaining an idle plant (worth Rs 300 million); the effect of the closures on sales and production would be minimal as the products manufactured in the factory could be shifted to the company's other factories and associate manufacturers. The factory had 300 workers on its rolls and manufactured flats.

In July 2010, the company lifted the lockout at the Modipuram factory. However, some of the workers opposed the company's move to get an undertaking from the factory employees to resume work. They demanded revocation of suspension against 20 of their fellow employees and also stated that conditions such as maintaining normal production schedules, conforming to standing orders and the settlement in force should not be insisted upon.

In September 2010, Modi Steel was again headed for a labour dispute when the INTUC asked the Uttar Pradesh government to intervene in what it perceived to be a downsizing exercise being undertaken by the management. INTUC justified this move by alleging that the management had increased outsourcing of products and also due to the perceived declining importance of the Modipuram unit. These steps had resulted in lower income for the workers, forcing them to approach the government to protect their interests.

Rakesh resigned on January 30, 2011. This came as a severe setback to the Modi Steels management.

Industrial relations or relations between those who manage and those who perform work are as old as human civilization. It is a dynamic concept that depends upon the pattern of the society, economic system and political set-up of a country and changes in the changing economic and social order. It is an art of living together for the purposes of production, productive efficiency, human well-being and industrial progress. Kaufman[1] writes that Industrial Relations is a generic subject. It is only one of a variety of possible ways to produce and organize knowledge, and as such, it has a unique frame of reference and its own theories and concepts, techniques and practices, and ideological commitments.[2] Today, Industrial Relations are concerned with systems, rules and procedures used by unions and employers to determine the reward for effort and other conditions of employment to protect the interest of the employed and their employers and to regulate the ways in which employers treat their employees.

In a democratic society, Industrial Relations is a complex phenomenon in which employers and their organization, employees and their collective associations, as well as state agencies, connect to evolve procedural, substantive policies and instruments to regulate the point of contact in employer-employee relationship, to manage contradictions which arise in their transactions and work towards a consensus among contending stakeholders (Figure 13.1). Conflict and congruence, contradictions and consensus, cooperation and confrontation characterize the connectedness of the interactions of various stakeholders brought together by the employment of the contract.

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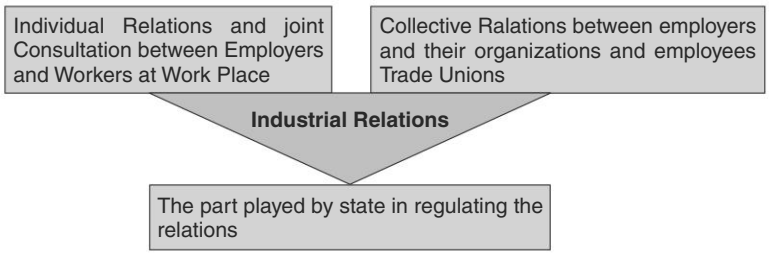

FIGURE 13.1 Industrial relations

BIRTH OF INDUSTRIAL RELATIONS

The field of Industrial Relations was born in United States in the late 1910s out of confluence of events and ideas associated with the rise of industrial economies and democratic governments. It emerged from both, negative and positive impulses. The negative impulses were the reactions to human suffering and injustice associated with unrestrained profit- making and employer power in the nineteenth and the twentieth century capitalism. And the positive aspect is that Industrial Relations arose from a conviction that the conditions of work and the relations between bosses and workers could be improved progressively through a combination of scientific discovery, education, legal reforms, institution building, and appeal to a higher sense of ethics and social responsibility. Imbued with a desire to promote social progress, the early participants approached the reform of employer–employee relations as a task of social engineering.

In industry, the term industrial relations developed a broad, generic meaning connoting the tenor or state of relations between the different parties of the employment relationship, the relationship between employer and employee being central to the concept.

Perspective of Employment Relationship by Adam Smith

Adam Smith, the Scottish moral philosopher, in his work, *The Wealth of Nations*, published in 1776, articulated for the first time the modern perspective on the employment relationship and put forward several elements, as summarized below.

- Cause of nation's wealth is its people—their number, skill, dexterity, work ethic, inventiveness and character. People, more than land, natural resources, and capital, determine why some countries are rich and others poor.
- Labour is the strategic asset for economic development and it can be made productive through investment in human capital.
- Division of labour promotes greater productivity, stimulates development of machinery and spurs development of new skills and trades among workers.
- Division of labour gives rise to an employment relationship. The employment relationship, according to Smith, is best viewed in contract, both, economic and legal. And because the interests of the employer and employee are at least partially divergent, the negotiation of the contract inherently gives rise to an adversarial relationship between the two parties. Smith states (p. 66), "What are the common wages of labour, depends everywhere upon the contract usually made between those two parties (employers and employees), whose interests are by no means the same. The workman desires to get as much, the master to give as little as possible."
- In economic affairs, Smith favoured a system of 'natural liberty' as much as possible. He believed in minimal government interference in markets, and that the operation of self-interest will lead to outcomes that not only benefit the individual but also the society.
- For efficiency and equity, there should be higher wages. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low.

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The first event in the birth of industrial relations as a field of study took place in 1912. That year, President Taft established a Commission on Industrial Relations. The idea and impetus for the commission came from social reformers and 'college men' affiliated to *The Survey* magazine, the nation's leading publication for progressive social policy[3]. The membership of the commission was tripartite, with nine representatives from organized labour, employers and the public. One of the public members was John R Commons, while the chair was Frank Walsh, a pro-labour attorney. An editorial in *The Survey* remarked of the commission, "It is somewhat as if, in the period prior to the Civil War, a President had appointed a Commission on Slavery."

DEFINITION AND CONCEPT

Every field of knowledge is directed at the study of certain key forms of behaviour. Industrial relations focus on the employment relationship, and in particular, on the relationship between employers and workers and the labour problems that grow out of that relationship. The term, 'Industrial Relations' comprises two terms: 'industry' and 'relations'. While 'industry' refers to 'any productive activity in which an individual (or a group of individuals) is (/are) engaged', 'relations' is 'the relationships that exist within the industry between the employer and his/her workers'. In a stricter sense, the term 'industrial relations' means 'the relationship between the management and workers in a unit or an industry'. In its wider connotation, it means the 'organization and practice of multi-pronged relationships between workers and management, unions and workers, and the unions and managements in an industry'.

The *American Heritage® Dictionary of the English Language*, Fourth Edition (Houghton Mifflin Company, Updated in 2003) published by Houghton Mifflin Company states that "industrial relations are the relations between the management of an industrial enterprise and its employees."

According to Encyclopedia Britannica, "The subject of industrial relations includes relations and joint consultation between employers and workers at the place of work, collective relations between employers and their organizations and trade unions and the part played by the state in regulating these relations."

Dale Yoder defines it as a "whole field of relationships that exists because of the necessary collaboration of men and women in the employment process of an industry."[4]

Allan Flanders[5] (1965, p. 10), defines it as "the subject of industrial relations deals with certain regulated or institutionalized relationships in industry. Personal, or in the language of sociology, "unstructured" relationships have their importance for management and workers, but they lie outside the scope of a system of industrial relations." Simply put, industrial relations is that part of management which is concerned with the manpower of the enterprise. It is, thus, the relation created at different levels of the organization by the diverse, complex and composite needs, aspirations, attitudes and approaches among the participants.

The four main parties who are actively associated with any industrial relations system are the 'workers', 'managements', the 'organizations of workers and managements', and the 'State'. With the growth of professional management, the industrial relations scene is being represented by the representatives of both, the employers and the employees.

Features Pertaining to Industrial Relations

- Industrial relations do not emerge in vacuum; they are born of employment relationships in an industrial setting.
- In a regulated relationship, the focus of industrial relations is on making rules and regulations by participants to ensure peace and harmony and have an un-interrupted production.
- The work situation may provide methods for cooperation and adjustments with each other.
- The governments through its agencies shape the industrial relations through laws, rules and awards.

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SCOPE OF INDUSTRIAL RELATIONS

The scope of industrial relations cannot merely be confined to common labour-management relations or employer-employee relations. It is a comprehensive concept embracing the sum total of relationships that exist at various levels of the organizational structure. It connotes relations among workers themselves, within the class of employees, relations among the managements, within the managerial class, and relations between the two distinct classes of workers and management. It denotes all types of inter-group and intra-group relations within industry, both, formal and informal. It consists of a complex network of relations that arise out of functional interdependence between workers and managements and between industrial organizations and society. 'Industrial relations' is a social concept because it deals with social relationships in different walks of life.

Objectives of Industrial Relations

Apart from the primary objective of bringing about sound and healthy relations between employers and employees, industrial relations aim:

1. To facilitate production and productivity
2. To safeguard the rights and interests of both, labour and management by enlisting their co-operation
3. To achieve sound, harmonious, and mutually beneficial labour management relations
4. To avoid an unhealthy atmosphere in the industry, especially work stoppages, go slows, gheraos, strikes, lock-outs; and
5. To establish and maintain industrial democracy.
6. To protect workers interest and improve their working conditions.
7. Establish industrial democracy based on labour partnership

OBJECTIVES

According to Kirkaldy, industrial relations in a country are intimately connected with the form of its political government; and the objectives of an industrial organization may vary from purely economic to purely political ends. He divides the objectives of industrial relations into four categories:

- Improvement in the economic conditions of workers in the existing state of industrial management and political government.
- Control exercised by the state over industrial undertakings with a view to regulating production and promoting harmonious industrial relations.
- Socialization or rationalization of industries by making the state itself a major employer.
- Vesting of a proprietary interest of workers in the industries in which they are employed.

A sound industrial relations system is one in which relationships between management and employees (and their representatives) on the one hand, and between them and the State on the other, are more harmonious and cooperative than conflict and creates an environment conducive to economic efficiency and the motivation, productivity and development of the employee and generates employee loyalty and mutual trust.

LABOUR MOVEMENT

No discussion on industrial relations can be undertaken without a glimpse of the Labour movement. Often, labour movement' and 'trade union movement' are used synonymously. However, there is a slight distinction between the two. Labour movement is 'for the worker', whereas the trade union movement is 'by the worker'. This distinction is important because till the workers organized themselves into trade unions, efforts were made, mainly by social reformers, to improve the working and living conditions of labour.

The labour movement is a broad term for the development of a collective organization of working people, to campaign in their own interest for better treatment from their employers and political governments, in

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particular through the implementation of specific laws governing labour relations. In some countries including the United Kingdom and Australia, the term is widely used to describe both a 'political wing' and an 'industrial wing'. In Britain there are the Labour Party and Trades Union Congress (TUC) collectively. The Labour Party was renamed as the Labour Representation Committee as a result of an 1899 resolution of the TUC.

The labour movement began during the Industrial Revolution when agricultural jobs declined and employment moved to more industrial areas. Initially, the idea met with great resistance. In the eighteenth and early nineteenth century, groups such as the Tolpuddle Martyrs of Tolpuddle, Dorset were punished and deported for forming unions, which was against the laws of the time.

In India, the labour movement started from 1875, when a number of measures through legislation, administration and welfare work were taken by the government, social workers and enlightened employers. The world-wide labour movement gained a major impetus in the late nineteenth and early twentieth centuries from the Catholic Social Teaching tradition which began in 1891 with the publication of Pope Leo XIII's foundational document, *Rerum Novarum*, also known as 'On the Condition of the Working Classes', in which he advocated a series of reforms including limits on the length of the work day, a living wage, the elimination of child labour, the rights of labour to organize, and the duty of the state to regulate labour conditions. Following the release of the document, the labour movement, which had previously floundered, began to flourish in Europe and later in North America.

Throughout the world, action by the labour movement has led to reforms and workers' rights, such as the two-day weekend, minimum wage, paid holidays, and the achievement of the eight-hour day for many workers. Many important labour activists in modern history have caused changes that were revolutionary at that time and are now regarded as basic. For example, Mary Harris Jones, better known as Mother Jones, and the National Catholic Welfare Council were central in the campaign to end child labour in the United States during the early twentieth century. An active and free labour movement is considered by many to be an important element in maintaining democracy and for economic development.

IMPACT OF THE TRADE UNION MOVEMENT

Sydney and Beatrice Webbs[6] defined trade unions as "a continuous association of wage earners for the purpose of maintaining or improving the conditions of their working lives." In almost every country, the main factors in the development of trade unions have been more or less similar. Large-scale industrial units created conditions of widespread use of machinery and new lines of production which changed the working and living environment of workers who now had to move to cities where industries were concentrated. This

The Taylor Strategy of Controlling Work

Abercrombie and Urry (1983, p. 101) have summarized Taylor's Strategy for capital and how it has transformed existing labour practices as:

"as long as workers knew more than the managers, the management would have to persuade the workers to cooperation. This could clearly be seen in relation to piece work since management did not know how long in fact it took to do each piece of work; it was rational for workers to … restrict output. Taylor realized that the only long-term solution for this, from the view point of capital, was to devise a new system of capitalist control that would overcome the rational tendency for workers to restrict output… this could only be achieved by transforming the very form of knowledge possessed by workers."

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created a new class of workers (wage-earners) who were dependent on wages for their livelihood. They were at a disadvantage under the doctrine of *laisse faire*. In the absence of collective action, they were ruthlessly exploited, and had to work hard for unbelievably long hours, from sunrise to sunset, in dark and dingy factories, and under very tiring conditions. Often, protests by individual workers had no effect on the employers because of the plentiful supply of labour. The workers, therefore, had to come together, at least to maintain, if not to improve, their bargaining power with employers. Where joint action was inadequate, workers started 'joint withdrawal' from work. It was this labour protest on an organized scale, through the support of some philanthropic personalities, which gave rise to organised labour unions.

Need for Trade Unions

The view that trade unions are luxury that a developing country like India cannot afford has deep roots. A society plagued by grinding poverty, and sometimes, with entire families dependent on the income of one worker, providing basic amenities must take precedence over all other goals. The militant union action in pursuit of the narrow interests of organized labour cannot detract from the all-important goal, and hence, trade unions are unsuited to Indian needs. The strongest advocates of this position are development-oriented labour economists who lament the loss in production caused by obstructionist trade unions. The alternative is provided by the concept of 'responsible unionism' whereby trade unions would pursue larger goals instead of narrow sectional interests.

TRADE UNION MOVEMENT IN INDIA

Growth of the labour movement and trade unions in India can be divided into following periods, each of them revealing different tendencies.

1. Social Welfare period (from 1875 to 1918)
2. Early Trade Union period (from 1918 to 1924)
3. Left-Wing Trade Unionism (from 1924 to 1934)
4. Trade Union Unity period (from 1935 to 1938)
5. Second World War (from 1939 to 1945)
6. Post Independence period (from 1947 to date)

Social Welfare Period (1875–1918)

The early days of the factory system in India experienced some of the worst features of industrialization. In certain respects, conditions of labour in Indian factories were worse than in the early factories in England. Unfortunately, there was no effective public opinion, which could represent the sufferings of the working class. "The workers who were for the most part villagers endeavouring to improve their position by a temporary alliance to industry," were submissive and unorganized; and if conditions became too distasteful, the natural remedy was not a strike but abandonment by individuals of the mill or of industry generally or "they migrated to other industrial centers or went back to their villages. There was no attempt at collective bargaining or at obtaining 'redress through concerted action." It was at this juncture that Indian humanitarians like Sorabjee Shapurji Bengali (1875) and NM Lokhanday (in 1884) who themselves were factory workers, drew attention of the government towards the unhappy working conditions of the labourers and demanded an early legislation to protect their interests. The first strike took place in Express Mill at Nagpur in 1877.

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Some of the important events of the infant labour movement were: the Factory Commission (1875), the Factories Act (1881), the investigation of Meade Moor (1874), the Second Bombay Factory Commission (1884), the workers' meeting organized in Bombay (1884) and their submission of a memorial to the Second Bombay Factory Commission; investigation of Jones (a Lancashire factory inspector), the holding of a mass meeting in Bombay (on April 21, 1890) which was attended by about 10,000 workers, and the submission to the government of another memorial signed by about 17,000 workers. Giri observes that "between 1904 and 1911, there was a remarkable advance in the organization of the labour movement. A strike in Bombay mills, a series of strikes in railways (especially in the Eastern Bengal Railways), in the Railways' workshop, and in the government press in Calcutta occurred prominently."

Early Trade Union (1918–1924)

The year 1918 was important for the Indian Trade Union movement. "It marked the start of a new era—of growth and one in which the leadership of the trade unions was to pass from the hands of the social workers into the hands of the politicians." The movement took permanent root in Indian soil only after the close of World War I. The Madras Textile Union was the first union in the modern sense, which was formed in 1918 by BP Wadia. Three factors were responsible for its formation:

1. Extremely short interval for mid-day meal
2. Frequent assaults on workers by European assistants
3. Inadequate wages in the face of rapidly increasing prices

This union adopted collective bargaining and used trade unionism as a weapon for class-struggle. The union was successful in getting the mid-day interval extended to an hour. It also tried to bring about the upliftment of workers by opening a co-operative society and a library for its members.

The Textile Labour Association was formed in 1920 at the initiative of Mahatma Gandhi. It adopted the ideology of truth and non-violence as its means to get demands fulfilled. On October 30, 1920, representatives of 64 trade unions with a membership of 140,854, met in Bombay and established the All-India Trade Union Congress under the chairmanship of Lala Lajpat Rai.

Unions Affilited to Central Organizations/Political Parties

Many unions are affiliated to one or the other type of the following central organizations of workers:

1. The Indian National Trade Union Congress
2. The All-India Trade Union Congress
3. The Hind Mazdoor Sabha
4. The United Trade Union Congress
5. The Centre of India Trade Unions
6. Bharatiya Mazdoor Sangh
7. The National Front of India Trade Unions
8. The United Trade Union Congress (LS)
9. The National Federation of Independent Trade Unions
10. The Trade Union Co-ordination Committee
11. Indian Confederation of Labour
12. Hind Mazdoor Kisan Panchayat
13. National Labour Organization

Left Wing Unionism (1924–1934)

Workers and Peasants parties sprang up in various parts of the country by 1926-27. Local units of these parties were united into an All-India Workers' and Peasants' Party in 1928. Its formation gave an impetus to the Left influence in the working class movement. This resulted in a large number of strikes. In 1928, the 'man-days' lost totalled 316 lakhs. The Left (Communists) gained influence by organizing a strike in the cotton mills of Bombay under the leadership of Girni Kamgar Union (Red Flag) and the workers of the G.I.P. Railway under GIP Railwaymen's Union. These two unions had 54,000 and 45,000 members respectively. This period saw the entrenchment of the Left in trade unions in Bombay, Ahmedabad, Delhi and Calcutta. Also, the arrival of Left split these trade

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unions into two distinct paths—somecalled them 'Rightists' and 'Leftists'; while others referred to them as 'Geneva-Amsterdam group' and 'Muscovites'. The events that followed the strike at Bombay led to a three-way split in the unions in the country:

(i) AITUC, led by the militant nationalists

(ii) AITUF under Congress nationalists and moderates. The radicals wanted to make it a mass organization and use it as a platform for voicing political demands

(iii) The RTUC consisting of orthodox communists, under the proletariat

Trade Union Unity Period (1935–1938)

This division in the Indian labour movement proved costly to the Indian working class. Efforts to unite were synchronized with the 1937 General Elections. The Indian National Congress approached the working class with the pledge that it would endeavour "to secure to the industrial workers a decent standard of living, hours of work and conditions of labour in conformity with international standards, as far as economic conditions of the country permit. Suitable machinery for the settlement of disputes between employers and workmen, protection against economic consequences of old-age, sickness and unemployment, and the right of workers to form unions and to strive for the protection of their interests" would be provided. As a result of this alluring manifesto, the Congress Government assumed charge in seven states and a big change occurred. There was a new upsurge of industrial unrest culminating in big strikes. In 1937, there were 379 strikes, which involved 6.47 lakh workers and resulted in a loss of 89.82 lakh man days. The inauguration of the Provincial Autonomy, their assertion of their rights to organize, the larger representation accorded to organized labour in various Provincial Assemblies, and the diminishing attitude of hostility on part of several employers towards trade unionism, led to a remarkable increase in the number and membership of the unions. The number of trade unions increased from 271 in 1936-37 to 562 in 1938-39, and membership rose from 2.61lakhs to 3.99 lakhs.

Through the efforts of Mr. V.V. Giri, a path to unity was paved in 1938 at Nagpur when the AITUC finally decided to accept the conditions of a merger as laid down by the NTUF. According to Punekar, "During the decade of 1930-40, Indian trade unions were a divided house and the average industrial worker kept himself aloof from organized action."

Central Trade Union Organizations

At present there are 12 Central Trade Union Organizations in India:

- All India Trade Union Congress (AITUC)
- Bharatiya Mazdoor Sangh (BMS)
- Centre of Indian Trade Unions (CITU)
- Hind Mazdoor Kisan Panchayat (HMKP)
- Hind Mazdoor Sabha (HMS)
- Indian Federation of Free Trade Unions (IFFTU)
- Indian National Trade Union Congress (INTUC)
- National Front of Indian Trade Unions (NFITU)
- National Labour Organization (NLO)
- Trade Unions Co-ordination Centre (TUCC)
- United Trade Union Congress (UTUC) and
- United Trade Union Congress–Lenin Sarani (UTUC–LS)

Second World War Period (1939–1945)

World War II, which broke out in September 1939, created new strains in the united trade union movement. These strains arose because of the different political factions in the AITUC related in different ways to the role of India as a protagonist in the War. A large group of trade unionists, led by the members of the Radical Democratic Party (such as M.N. Roy, J. Mehra, Miss Maniben Kara and V.B. Karnik), was of the opinion that the AITUC should support and participate in the anti-fascist War irrespective of the acts of omission and commission of the British government. An

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equally large number (supported by S.C Bose and others) were opposed to that view on the ground that it was an imperialist war of Great Britain with which India had no concern. Hence, a rift took place in 1941 and the Radicals left the AITUC with nearly 200 unions with a membership of 3,00,000 and formed a new central federation known as the Indian Federation of Labour. In 1942, this Federation was recognized by the Government as an organization representing the Indian labour class. The Indian Federation of Labour called for:

(i) Mobilization of Indian labour for conscious and purposeful participation in the industrial programme geared to the needs of the War; and

(ii) Securing for the workers a bare minimum of wages and amenities which wartime conditions demanded and without which maintenance of workers' morale was impossible.

In this effort, the Indian Federation of Labour was aided by the Government of India by providing large funds at the rate of Rs 13,000 per month. The Federation grew rapidly and by 1944, it claimed 222 unions with a membership of 407,773 workers. They cracked down on many unions, especially the Communist unions. But when Hitler invaded Russia, the Communists abandoned their policy of opposition to war and declared their support. As a result, in July 1942, the Communist leaders were released from jail.

The factors that helped enhance the status of the trade unions during the period of Second World War were:

(a) The Government, as well as employers, launched a number of labour welfare measures with a view to increase production of war materials and other essential goods and maintain high profits

(b) Recognition to trade union was accorded by many employers. This fact gave moral strength to the unions

(c) Ban was placed on strikes and lockouts during wartime under the Defence of India Rules 8J-A and all disputes had to be referred to adjudication and their awards were enforced

(d) A tripartite Labour Conference was convened in 1942, for the first time, to provide a common platform for discussions and mutual understanding between the labourers and the employers

Post-independence

The post-War period was marked by the most rapid strides so far made by the trade union movement in India The most important factors were:

(i) The constant inflow of outside and international influences

(ii) The pressure of trade union rivalries often based on political or ideological differences

(iii) The Government's Industrial Relations Policy with its provision for compulsory adjudication machinery

(iv) The enactment of labour laws conferring special privileges on registered trade unions

(v) Desire of workers to unite for safeguarding their interests especially to face harder conditions for labour such as retrenchment, lay-off, etc and

(vi) Attempts made by some employers to set up unions under their influence.

The Indian trade unions have come to stay now, not as ad hoc bodies or strike committees, but as permanent features of the industrial society. Political, economic, historical and international factors have all helped these unions to get a legal status and they now represent the workers. They have even succeeded in organizing central Union Federations. These Central Unions help in determination of principles, philosophy, ideology and purposes; they give a sense of direction to the otherwise scattered and isolated large number of unions.

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They have also created for workers a platform to air their views, policies and ideologies both, at the state level and national level in the Standing Labour Committee and the Indian Labour Conference.

Unique Features of Trade Unions in India at the time of Independence

(i) Trade unions in India have been allied with some political party or the other, not in the nature of partnership based on equality and independence as in England, but as mere adjuncts of the political parties.

(ii) Trade union rivalries have become sharper in free India. The splitting up of unions and formation of new unions having support of political parties, has permeated into unions operating at different levels.

(iii) Despite the organization-base, trade unions, in many individual cases or the national federations and their ideologies, have not been able to develop a professional cadre of leadership at the grassroots to the desired extent. In fact, quite often, a single union executive leader is responsible for running a large number of unions. A survey of trade union leadership in Bombay in 1960 showed that one leader was president of 17 unions and secretary of two more. Another was an office bearer of 20 unions. RJ Mehta was President of the Free Trade Unions which controlled more than 14 unions.

Structure of Trade Unions in India

In India, the structure of trade unions consists of three levels: plant/shop or local; the state and the centre. It is generally from the central level that the ideology of the important central federations of labour in India percolates down to the state and local levels. Every national or central federation of labour in India has state branches, state committees or state councils, from where the organization works down to the local level.

AREAS OF CONCERN OF INDUSTRIAL RELATIONS

Industrial relations primarily cover the areas mentioned in Figure 13.2.

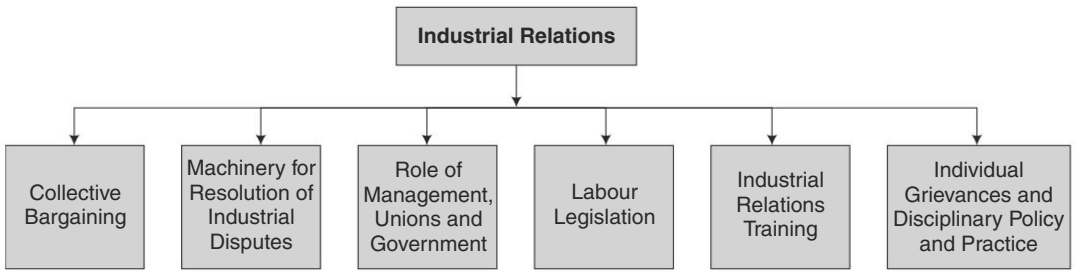

FIGURE 13.2 Areas of concern of industrial relations

APPROACH

An industrial relations system may be defined as 'comprising the totality of power interactions of participants in a workplace when these interactions involve industrial relations issues'. It is viewed as an integral and

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non-separable part of the organizational structure and its dynamics. This system includes all individuals and institutions that interact at the workplace and can be viewed as having three components:

1. A set of individuals and institutions that interact
2. A context within which the interaction takes place
3. An output that serves to govern the future relationship of the parties

The components of industrial relations system are discussed below.

- **Participants:** The participants in the industrial relations sphere are composed of duly recognized representatives of parties interacting in several roles within the system.
- **Issues:** Power interactions of participants in a workplace create industrial relations issues. These issues and the consequences of power interactions find their expression in a web of rules governing the behaviour of parties at a workplace.
- **Structure:** The structure consists of all forms of institutionalized behaviour in a system. The structure may include collective procedures, grievances, and settlement practices. Legal enactments relevant to power interactions may also be considered to be a part of the structure.
- **Boundaries:** In systems analysis, it is possible to find an issue which one participant is totally indifferent to resolving while, at the same time, the other participant is highly concerned about the resolution of the same. These issues may serve to delimit systems boundaries.

At least there are three marked features of the systems approach. They are:

- Inter-disciplinary character: Some theorists regard the systems approach to be universally applicable to all human relationships, in small or large units. Its flexibility of application in the behavioural sciences has been aptly demonstrated.
- Suitability to work organization and their sub-systems: The adaptability of the systems approach to organization is also a frequently discussed trait. This springs from the fact that organizations, and to some extent their sub-systems, are rational and purposeful.
- Dynamic Aspects: A systems approach is oriented towards the study of interactions and changing relations.

Based on various components and features of industrial relations, a number of writers have attempted to produce various functional approaches to industrial relations, which are discussed in subsequent paragraphs. There are three fundamental perspectives of industrial relations:

(a) Unitary
(b) Pluralistic
(c) Marxist

Unitary Perspective

The unitary perspective assumes that organizations have a single source of authority, a common set of goals and objectives agreed by everyone. It views a work organization as characterized by an integrated and harmonious whole existing for common objectives, values, interests and single centre of loyalty and authority (Burchill, 1997:7). Cooperation at work is seen as the natural order of things and conflict is both, unnatural and unnecessary. "Industry is a harmony of cooperation which only fools knaves chooses to disrupt" (Fox, 1966: 5). This perspective has a simple ideological appeal i.e. employers use it to assure themselves about the correctness of their actions and to try to persuade others, especially employees, of the legitimacy of their actions. This perspective calls for good management of human relations, to remove source of potential conflicts. The perspective got boost from Mayo's studies.

In recent years, the growing economic importance of Japan brought into focus the 'consensual Japanese management technique'.

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Pluralist Perspective

Pluralistic perspective recognizes that the workplace is a microcosm of society replete with diversity in social groups, social interest, values and beliefs, several sources of authority, and a complex plurality of interests in employment. The pluralist accepts that conflicts of interest between people at work are inevitable, and that power will be used in the resolution of conflict. One would view theories such as Mayo's Human Relations, Maslow's hierarchy of human needs, Argyris Immature-mature Theory, McGregor's theory X and Y whose overall theme is the need to tap the potential of the human energy, skill and ingenuity, as pluralist in perspective. Participative or consultative cultures permeate all levels of organizations. The role of management within a pluralist organization is less of leadership and more of coordination. The pluralist enterprise, therefore, recognizes the role of Trade Unions.

Dunlop's Approach or Systems Model

John Dunlop argued that industrial relations should be seen as a social sub-system, parallel to, but distinct from the economic and political systems. Dunlop defines an industrial relations system as:

An industrial relations system is composed of certain actors, contexts, and an ideology, which binds the system together, and has a body of rules created to govern the actors at the workplace and work community. There are three sets of independent variables: the 'actors', the 'contexts' and the 'ideology' of the system.

The fourth factor is this system is the body of employment rules, which are the outcome of the interaction between the actors.

Actors in a System

The actors are: (a) hierarchy of managers and their representatives in supervision, (b) a hierarchy of workers (non-managerial) and any spokesmen, and (c) specialized governmental agencies (and specialized private agencies created by the first two actors) concerned with workers, enterprises, and their relationships. These first two hierarchies are directly related to each other in that the managers have responsibilities at varying levels to issue instructions (manage), and the workers at each corresponding level have the duty to follow such instructions. The formal hierarchy of workers may be organized into several competing or complementary organizations, such as works councils, unions, and parties. Specialized government agencies as actors may have functions as well. Some industrial relations systems are broad and decisive as to override the hierarchies of managers and workers on almost all matters. In other industrial relations systems, the role of the specialized governmental agencies, at least for many purposes, may be minor or constricted.

Contexts of a System

In an industrial relations system, the contexts or the determinants in which actors interact are the technological characteristics of the workplace and work community, the market or budgetary constraints that impinge on the actors, and the locus and distribution of power in the larger society.

Market or budgetary constraints are a second feature of the environmental context, which is fundamental to an industrial relations system. These constraints often operate, in the first instance, directly upon the managerial hierarchy, but they necessarily condition all the actors in a particular system.

The locus and distribution of power in the larger society, of which the particular industrial relations complex is a sub-system, is a third analytical feature of the environmental context. The relative distribution of power among the actors in the larger society tends, to a degree, to be reflected within the industrial relations

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Marxist Perspective of Industrial Relations

The Marxist perspective views the employer and employee relationship in a wider capitalist society and believes is exploitative. Industrial relations are analysed as a subsystem of a larger society that shapes conflicting relations between capital and labour. Society is divided into two; one who owns means of production and the other does not. Those who own are concerned with maximizing the profit and regard labour as a factor of production to be exploited. Industrial conflict is seen as reflection of inherent nature of the capitalist economic system. In other words, industrial conflict is synonymous with political and social conflict.

Hyman (1989:92) says that the conflict between capitalist and labour arise because "what is income to the employee is a cost to the employer, which the latter will naturally seek to minimize." The growth of trade unions is, therefore, seen as an inevitable employee response to capitalism; enhancement of their collective industrial power by reducing competition between individual employees.

system. The function of one of the actors in the industrial relations system, and the specialized governmental agencies, is likely to be particularly influenced by the distribution of power in the larger society.

Ideology of an Industrial Relations System

The whole system is held together by certain shared beliefs and understandings. The ideology defines the role and place of each actor and the ideas, which each actor holds towards the place and function of the others in the system. Each of the actors in an industrial relations system may be said to have its own ideology. An industrial relations system requires that these ideologies be sufficiently compatible and consistent so as to permit a common set of ideas and an acceptable role for each actor.

Establishment of Rules

The actors in a given context establish rules for the workplace and the work community, including those governing contracts among actors in an industrial relations system. The establishment of these procedures and rules is the centre of attention in a system. These rules are broadly grouped into three categories: (i) rules governing compensation in all its forms; (ii) the duties and performance expected from workers, including rules of discipline for failure to achieve these standards; and (iii) rules defining the rights and duties of workers. The rules change in response to change in the contexts and relative status of the actors.

The actors who set the rules may be workers and their unions representing one category; employers, managers and their associations constituting a second category; and government in the third category consisting of civil servants concerned with the administration of labour matters.

ROLE OF GOVERNMENTS IN INDUSTRIAL RELATIONS

In India, the Directive Principles of State Policy are among the core guiding factors influencing the labour policy, supported by the various plan documents. Articles 39, 41, 42, 43 and 43 A also pertain to labour industrial relations.

Directive Principles of State Policy: Guiding Factors Influencing Labour Policy

39a	Right to adequate means of livelihood, men and women equally
39b	Ownership and control of material goods of community to subverse common goods
39c	Economic system should not result in concentration of wealth and means of wealth to common detriment.
39d	Equal pay for equal work
39e	Concern of health and strength of workers
41	Right to work, education and public assistance to certain cases.
42	Provision for just and humane conditions for work and maternity leave.
43	Living wage, etc., for workers
43a	Workers participation in Management

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Human Relations at Work—TATA

Shop floor disruption led to training programmes in 'self-motivation' at Tata's flagship truck and bus company in India.

India embarked on the road of heavy industrialization when her first steel ingots rolled out in Jamshedpur, Bihar, in 1912. Around the steel plant has grown a city of 1.2 million people, home to two of the largest private sector companies in India—Tata Steel (Tisco) and Tata Engineering (Telco). They are the flagship brands of an industrial empire that has spawned a vast range of goods and services—textiles and hydroelectric power, locomotives, trucks and buses, chemicals, cosmetics and computers, hotels and airlines.

Tata's founder was a visionary, one of the most forward-looking of India's industrial pioneers. Jamshetji Tata (1839–1904), after whom Jamshedpur is named, held that India should walk tall in the family of nations. He also regarded the health and welfare of his employees as 'the sure foundation of our prosperity'. Ever since, Tata industries have been renowned for their commitment to their workforce.

Tata companies virtually run the city, providing employment, housing, hospitals, schools and social welfare. Little wonder that Tisco and Telco have an enviable industrial relations record. Tata Steel has been strike-free for nearly 70 years. Telco, however, was not always so lucky. A crippling 48-day strike in 1969 and a series of shop-floor battles between rival groups of workers in the early 1970s warned the management that "we were far too distant from our men to liaise with them," said Sarosh Ghandy, till recently the Resident Director of Telco in Jamshedpur.

Five strikes in 1973 disrupted production of engine blocks and cylinder heads in the melting shop of Telco's foundry. Two groups of workers battled for union control on the shop floor of this major Tata enterprise, which makes three quarters of all commercial vehicles on India's roads and is one of the world's largest truck manufacturers. Production was so low in those days that management planned to transfer work to their Pune plant 1,000 miles away. One director said it would be more profitable to grow crops. Men carried knives and guns and during the night shift violence broke out. Armed police had to intervene.

New on the scene was an engineering trainee, Kiran Gandhi, who had recently graduated with a first class honours from the Indian Institute of Technology in Bombay. Gandhi had gone into industry believing that it held a key to India's development. He had also found, through attending Moral Re-Armament (MRA) conferences, 'a way of relating to people of all backgrounds'. Now he found himself in the midst of the troubles in Telco's melting shop. Surely, he thought, in this situation, 'there must be God's plan'. He set out to befriend the leaders of the two union factions.

V N Prasad, a union committee member (shop steward), was shovelling coke into a furnace when Gandhi first talked to him. Prasad's impression was of a young man from a high society family. "His father was a top executive but he invited me to his home, which was a big surprise for me, an ordinary worker. His mother was kind and brought me snacks. Then, he visited my wife and children and we became very close. This helped me think again about my political opponents."

Gandhi also got to know C P Singh, who was later to become the Assistant Secretary of the Telco Workers' Union. At that time, he was one of the factions who fought against Prasad, believing he had not been tough enough over wage demands. Singh expressed to Gandhi his concern over wastage of company materials. "I never thought that workmen were so concerned," responded Gandhi, who apologized for his 'prejudiced view'. This, and Gandhi's convictions about industry's role in national life, made a deep impression on Singh.

That March, Singh's wife died in a smallpox epidemic, leaving him with five small children. Gandhi took food cooked by his mother to Singh's children. "I felt he was a member of our family," says Singh. "His care seemed to be completely selfless--he was not trying to get something in return. It was the beginning of a life-long friendship."

The following January, Gandhi invited the two men and their colleagues to a conference at Asia Plateau, the MRA centre in western India. "At first," recalled V N Prasad, "I could not understand when they talked about the 'inner voice." But after several days, he felt he needed to apologize to C P Singh for his hatred of him. Singh had been feeling the same and the two men had a heart-to-heart talk.

On his return, Singh's men were taken by surprise when he opposed a strike call and supported Prasad instead. They threatened to kill him. But he stood his ground, and over the next six months, the two opposing groups reconciled. That year, the annual production target in the melting shop was met in 10 months, allowing two months for maintenance work. The company started sending further groups of senior managers, union leaders and workers to MRA industrial conferences. To date, 470 have attended.

For Kiran Gandhi, there was still the question of how to sustain and multiply personal changes of attitude within the company. When a vacancy fell open for a training officer in the Management Training Centre, Gandhi took it, encouraged by Telco's then head of management development, Nazimuddin Ahmed, who had also been to Asia Plateau.

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The two men began thinking about the need for 'self-motivation', recalled Ahmed. "Really motivated people are inner-directed. They have a characteristic of their own and are not dependent on others. We decided to use the methodology we had picked up from MRA--the whole issue of inner change. We asked workers and union officers who had been to Asia Plateau to conduct a programme for a cross-section of people: divisional heads, supervisors, workers and opinion leaders. Kiran coined the phrase 'human relations at work' (HRW). It came just at the right moment when people realized we had to change our ways."

The three-day HRW training courses, launched in 1982, empowered the workforce to take initiatives and led to the birth of shop floor quality circles, known in the company as 'small group activity' (SGA). Groups of workers meet for an hour each week to iron out production problems, as well as to discuss such issues as how to tackle alcoholism, family debt and communal tension in their townships or 'colonies'. By the early 1990s, 1,300 such voluntary groups, each comprising eight to 12 people, involved almost the entire workforce of 20,000 employees. Sarosh Ghandy said that the SGAs had contributed substantially to productivity gains, saving Telco Rs 80 million (£1,900,000) a year.

Another key player in the birth of HRW was P N Pandey, one of four senior executives to visit Asia Plateau in 1978. He had taken a Rs10,000 loan from the company on the pretext of buying a car—but had no intention of getting one, though he produced false documents to show the company that he had. Laying his career on the line, he felt he needed to be honest with the accounts department. Much to his relief he was not reprimanded, though he still had to repay the loan in 24 instalments.

Pandey, who had a reputation for being a tough and temperamental manager, also apologized to a supervisor, Jaswant Singh, whom he had insulted. They had not been on speaking terms for 12 years. Singh was "completely overwhelmed", according to Pande. "He grabbed me in a hug and tears poured down his face." A senior manager who witnessed the scene commented that Pande had completely changed.

"This whole experience was formative in drawing up the content of the HRW programme," Pandey continued. "It was a live example of what human relations means."

Shop floor workers who have been through HRW are encouraged to be on its training faculty. At one afternoon session, a chargehand from the toolroom, R B Singh, conducted a programme for 20 production workers. On the agenda were alcoholism, absenteeism, punctuality, syncronizing work functions, responsibility versus blame, and even blood donation schemes. Other HRW inputs included a session on conflict resolution, a discussion on the life and values of Jamshetji Tata, and an industrial film from Brazil made by MRA.

Sarosh Ghandy said: "The main reason why we launched into our training using the approach of MRA in such a big way was to try and improve our managers and workers as people. We have also had two or three dozen swamis (Hindu priests) giving talks on various aspects of human behaviour." Pandey added, "HRW has led to a total attitudinal change among the employees at all levels." In the four years that he was Telco's head of industrial relations, disciplinary actions against employees fell from 260 a year to 60. Man-hours lost in stoppages declined from 10,000 to none, and absenteeism, once chronic, was virtually eliminated.

Other industries have taken a keen interest in Telco's experience. Chandreshwar Khan, Assistant Manager at the Management Training Centre, has given talks on HRW to conferences of the Confederation of Indian Industry. "Improvements in the quality of our products will come from an improvement in the quality of life of our workforce," he says. "Industrial relations too often suggests 'we and they'. In our company we talk of human relations, meaning we work together. And we don't just talk about it--it has become a way of life."

First published in For A Change Magazine, May/June 1993.

See also 'When quality is a way of life' by Mike Smith, Financial Times, 25 August 1993.

During the past decades, labour relations were viewed by governments as a means of preventing or minimizing conflict. In India, the objective was also achieved through restrictions or prohibitions on the freedom of action of employers in matters such as termination of employment, closures and even transfers of employees.

INTERNATIONAL FACTORS

The establishment of a sound or harmonious industrial relations system is a central theme for governments, employers, workers and their representatives, in their endeavour to achieve economic and social development.

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International Labour Organization (ILO)

The ILO was created in 1919, as part of the Treaty of Versailles that ended World War I, to reflect the belief that universal and lasting peace can be accomplished only if it is based on social justice.

The Constitution was drafted between January and April, 1919, by the Labour Commission set up by the Peace Conference, which first met in Paris and then in Versailles. The Commission, chaired by Samuel Gompers, head of the American Federation of Labour (AFL) in the United States, was composed of representatives from nine countries: Belgium, Cuba, Czechoslovakia, France, Italy, Japan, Poland, the United Kingdom and the United States. It resulted in a tripartite organization, bringing together representatives of governments, employers and workers in its executive bodies.

Preamble states:

- Whereas universal and lasting peace can be established only if it is based upon social justice;
- And whereas conditions of labour exist involving such injustice hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled; and an improvement of those conditions is urgently required;
- Whereas also the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries.

The ILO was located in Geneva in the summer of 1920 with France's Albert Thomas as the first Director of the International Labour Office, which is the Organization's permanent Secretariat. Under his strong impetus, 16 International Labour Conventions and 18 Recommendations were adopted in less than two years.

The International Labour Conference is the organization's policy-making and legislative body, in which every member state is represented. It holds one session a year at ILO headquarters in Geneva.

Each member country sends to the International Labour Conference a national delegation consisting of four delegates. Two represent the government, one represents the country's employers, and one represents the country's workers. Alternates and advisers may be sent as well. Each delegate has one independent vote. Discussing this system of tripartite representation in 1959, the Director General noted that the ILO is "the only intergovernmental agency in whose work nongovernment delegates take part on an equal footing with government representatives as a matter of constitutional right. Representatives of employers' and workers' organizations are included in its policy-making, standard-setting, and executive machinery and participate, with full voting rights, in all these aspects of its work."

The government, employers', and workers' representatives to the conference act in many respects as three separate groups, functioning somewhat as political parties function in a national legislature: the three groups meet separately for informal discussions of strategy; they hold caucuses; and, voting separately, they elect the government, the employers', and the workers' delegates to the Governing Body and to tripartite committees. If the tripartite system is to function as intended, it is essential that employers' and workers' delegates be true representatives of their respective groups. The ILO constitution provides that governments must appoint these delegates in agreement with the "most representative" organizations of employers or workers "if such organizations exist."

Several changes on the international scene presently exert a major influence on how industrial relations need to be viewed:

- The internationalization of business, intense competition and rapid changes in technology, products and markets has increased the need for economies and enterprises to remain or become competitive.
- The new information technology, the limits of which are not known in terms of its potential to effect change, is exerting a tremendous impact on the structure of organizations, the nature of work and the way it is organized, and even on the location where work is performed. This has resulted in less management by command and supervision, more emphasis on cooperation, information-sharing and communication and in a more participative approach to managing people.
- Modern technology now makes it possible for aspects of work to be performed outside the enterprise (outsourcing).

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Novartis Pays Social Dividends with Wages

The Challenge

Novartis needed help meeting its commitment to pay competitive and fair wages—which clearly exceeded what is needed to cover basic living needs—and to provide employees with time for family, social activities and leisure. To achieve this standard established in its Corporate Citizenship policy, Novartis must pay wages that cover the market price of a basket of goods and services representing the necessities for an average worker in the countries where Novartis operates. This basket should include reasonable housing, transportation, health care, clothing, nutrition, and education for dependent children in accordance with local standards.

Novartis Strategy

Since 2003, Novartis has calculated the basic needs wages for every country where the company has significant operations. These wages are then used in Novartis' Corporate Citizenship reporting process. Beyond calculating wages, BSR has also researched and implemented improvements to the calculation methodology, reached out to Novartis personnel in many different countries to check the veracity and practicality of the wages, and interviewed academics and other organizations that work on these issues.

Impact

Novartis is one of a handful of companies that has committed to paying a living wage to all of its direct employees around the world and that has taken the next, more difficult step of actually establishing a system for assuring that it meets this commitment. Since 2004, Novartis has adjusted the salaries of employees in various countries in line with BSR's living wage figures, positively impacting the lives of many workers and their families. As the living wage program evolves, it will further engage external stakeholders and other companies to not only improve its methodology and implementation, but also to raise the bar for other companies' social policy efforts.

- Many countries are undergoing a process of industrial restructuring which, in some cases, include privatization of public sector undertakings and technology upgrading.
- Another feature is the changes occurring in the workforces, to varying degrees, in both industrialized market economies and developing economies. Many countries have witnessed the emergence of workforces with higher levels of education and skills which need to be managed in a manner different from the way in which employees, especially blue collar employees, have hitherto been managed.
- The many emerging work arrangements do not fit into the traditional employment relationships. Increasing numbers of enterprises are differentiating between the core and peripheral workforce, which consists of those whose work can be performed by persons outside the enterprise who specialize in it. The tendency is to contract and sub contract with outsiders to perform their work.
- Another category of employees consists of the increasing number of temporary and part-time employees in the rapidly expanding service industries, some of which experience peak periods (hotels, airlines, shops) requiring a flexible labour force. Thus, instead of one workforce, we are moving towards these various groups, each with different contractual arrangements and requiring to be managed differently.
- The role of unions is changing. Earlier political considerations dominated or influenced union activities, attitudes and their role, especially in some of the developing countries. Unions are now gradually concentrating more on their traditional role in industrial relations, which is to improve the working conditions of their members and to protect their interests through negotiation.

INDUSTRIAL RELATIONS SYSTEM AT NATIONAL AND INDUSTRY LEVEL

Labour-management relations policy formulation is one of the significant tasks at the national level, and its successful formulation and implementation can influence the labour relations climate at the industry and

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Central Industrial Relations Machinery (CIRM)

The Chief Labour Commissioner's (Central) [CLC(C)] Organisation, also known as Central Industrial Relations Machinery (CIRM), is attached to the Ministry of Labour and Employment. The CIRM is headed by the Chief Labour Commissioner (Central). It has been entrusted with the task of maintaining Industrial Relations, enforcement of Labour Laws and verification of Trade Union Membership in the central sphere. The CIRM has 18 officers at the Head Quarters and 250 officers in the field. These are Spread Over Different Parts Of The Country With Zonal, Regional And Unit Level Formations.

Functions of CIRM

- Prevention and settlement of industrial disputes in the central sphere;
- Enforcement of Labour Laws and Rules made thereunder in central sphere
- Implementation of awards
- Quasi-judicial functions
- Verification of the membership of the Trade Unions
- Welfare
- Other Miscellaneous Functions

Prevention and Settlement of Industrial Disputes

The CIRM ensures harmonious industrial relations in the central sphere establishments through:

- Monitoring of industrial relations in central sphere.
- Intervention, mediation and conciliation in industrial disputes in order to bring about settlement of disputes.
- Intervention in situations of threatened strikes and lockouts with a view to avert the strikes and lockouts.
- Implementation of settlements and enforcement of other provisions in Industrial Disputes Act, 1947 relating to:
  1. Works Committee
  2. Recovery of Dues
  3. Lay-off
  4. Retrenchment
  5. Unfair Labour Practices, etc.

enterprise levels. Such policy formulation, however, can be formulated not only at the national level through a tripartite process, but also at the industry level on a bipartite basis as between employers' and workers' organizations. Whether bipartite policy formulation becomes a part of national policy depends largely on the respective strengths of employers' and workers' organizations. In some of the industrialized market economies, there is a greater likelihood than in developing countries of bipartite policy formulations being reflected in national policies due to the strength of the employers' and workers' organizations. In Sweden, for instance, in the past, the agreements between the union and the employers' organization tended to be translated into national policy instruments. The policies and methods of training of workers, for example, reflected what the two social partners had identified as appropriate for the industry. In Belgium, the state recognizes the two social partners as the main formulators of social policy through collective bargaining; even the social security system is managed by the two social partners. The pervasive influence of bipartite arrangements is felt only where there is a 'balance of power' between the social partners. There is less likelihood of bipartism impacting on national policy formulation in developing countries due to strong central governments, and their assumption of the role of identifying the direction of economic and social policies. The relative weakness of employers' and workers' organizations or of one of them, or the inability of such organizations to agree on the fundamentals of what the labour relations policy should be, often prevents bi-partism from influencing national policy formulation.

Freedom of Association

The fundamental premise of a sound industrial relations system is the recognition and existence of the freedom of association accorded to both employers and workers. This freedom should include recognition of organizations of workers and employers as autonomous, independent bodies, subject neither to their

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domination neither by each other nor by the government. Observance by states of the basic principles of the ILO Convention relating to Freedom of Association and Protection of the Right to Organize No. 87 (1948) is often regarded as the yardstick by which a country's recognition of this freedom is measured.

Tripartism and Labour Policy Formulation

Tipartism is the process whereby the government, the most representative workers' and employers' organizations as independent and equal partners, consult with each other on labour market and related issues which are within their spheres of competence, and jointly formulate and implement national policies on such issues. However, this ideal situation is seldom reflected in practice, especially in developing countries or in societies with fairly authoritarian governments, which believe that the direction of economic and social development is largely their responsibility. A more realistic model where developing countries are concerned is one in which a government consults the most representative employers' and workers' organizations on labour market and related issues which are within their spheres of competence, and takes account of their views in national policy formulation and its implementation.

There are many examples of tripartite mechanisms at the national level, as well as informal applications of tripartism. In many countries, there are minimum wage fixing bodies which reflect the participation of all three parties, often leading to a consensus on minimum wages, and sometimes on other minimum terms of employment. In some countries (as in Australia in recent years), agreements are reached at the national level among the three partners after a process of bargaining on important social policy issues. The principles agreed upon in the 1950s in Japan as a forerunner to its productivity movement did much towards assisting that country's productivity growth. In Japan, the Industry and Labour Conference has been a major form of cooperation at the national level, and consultative mechanisms (both tripartite and bipartite) exist at the industry level. In Singapore, the National Productivity Board is a tripartite body, and is credited with much of the success in productivity improvement there. Tripartite participation in Singapore's National Wage Council has avoided a potential conflict on wages. The introduction of a flexible wage system in Singapore was made possible by a tripartite approach towards reaching a consensus on the issue in the late 1980s.

At the national level, the mechanisms and procedures could be formal and institutionalized, or else informal and adhoc. Where the labour administration system consults, on an ad hoc basis, workers' and employers' organizations on subjects falling within their purview, it represents a method of policy formulation on labour management relations. Sometimes these consultations may take place between the two social partners and other public authorities. For instance, a finance ministry may consult the social partners on an issue relating to wage policy.

National level policy formulation can take place through institutions, which provide for periodic tripartite discussion and consultation. There are examples of institutions with functions limited to a particular subject matter such as training, social security, minimum wages (for instance minimum wage fixing bodies) and safety and health. Such specialized bodies may even cover collective bargaining, as in the case of the Singapore National Wage Council created in 1972, which was empowered to issue annual guidelines to coordinate collective bargaining with overall economic policy so as to ensure that wages remain consistent with economic development.

Industrial Tripartite Committees in India

Industrial Tripartite Committees (ITCs) have been constituted with the view to promote the spirit of tripartism. These tripartite bodies provide a forum whereby the social partners through dialogue can appreciate the problems of industries and workers affected by economic reforms.

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These committees are non-statutory standing committees with meetings convened as and when required. The Government's proactive role has successfully harmonized the interest of the employers and the workers resulting in a change of attitude from confrontation to that of co-operation.

There are eight Industrial Tripartite Committees (ITCs), one each on Cotton Textiles, Jute, Road transport, Electricity Generation & Distribution, Engineering, Sugar, and Chemicals and Plantation industry. Meetings of Industrial Tripartite Committees on Plantation, Cotton Textiles and Road transport were held on 26.08.2005, 30.6.2006 and 7.7.2006 respectively.

Adjudication

For adjudication of industrial disputes, in respect of which the Central Government is the appropriate government, there were 17 Central Government Industrial Tribunals (CGITs)-cum-Labour Courts. Five new CGIT-cum-Labour Courts have been set up at Guwahati, Ahmedabad, Ernakulam (Cochin), Delhi and Chandigarh during the year 2003–2004 and 2004–2005, thus taking the total number of CGITs to 22. In addition, the Industrial Tribunals-cum-Labour Court set up by the state governments and union territories' administrations are also utilized by the Central Government for adjudication of industrial disputes, where there is no Central Government Industrial Tribunal-cum- Labour Court in existence.

In order to reduce the pendency of cases, Lok Adalats are being organized by the CGIT-cum-Labour Courts. So far, 319 cases have been settled through Lok Adalats.

Board of Arbitration (Joint Consultative Machinery)

In 1966, the Government of India had introduced a Scheme for Joint Consultative Machinery and Compulsory Arbitration for resolving differences between the Government as an employer and the general body of it employees.

The Second National Commission on Labour

The First National Commission on Labour was constituted on 24.12.1966 and submitted its report in August, 1969 after a detailed examination of all aspects of labour problems, both, in the organized and unorganized sector. The need for setting up of the Second National Commission on Labour was felt due to vast changes occurring in the economy during the last three decades especially in the nineties due to globalization, liberalization and privatization.

The Second National Commission on Labour was given two point terms of reference:

- To suggest rationalization of existing laws relating to labour in the organized sector; and
- To suggest an umbrella legislation for ensuring a minimum level of protection to the workers in the unorganized sectors.

The Commission submitted its Report to the Government on 29.06.2002. The Commission has comprehensively covered various aspects of labour and given recommendations relating to review of laws, social security, women and child labour, wages, skill development, labour administration, unorganized sector, etc.

The recommendations of the Second National Commission on Labour inter-alia, included:

- Introduction of umbrella legislation for workers in the unorganized sector and agricultural labour,
- Emphasis on up-gradation and development of skill of workforce by training/retraining of workers,
- Encouragement of small scale industries, agri-business and rural sector for higher employment generation,
- Bringing attitudinal change and change in the mindset and work culture where the employer and the worker work as partners with emphasis on participative management,
- Consolidation of social security legislations and establishment of social security system,
- Abolition of child labour, etc.

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The Scheme provides for compulsory arbitration on pay and allowances, weekly hours of work and leave for every class or grade of employees.

Under the Scheme, the Board of Arbitration (JCM) was set up in July, 1968, which consists of a Chairman and two other members. The Chairman is a full-time official. While referring a dispute to the Board, the Ministry of Labour appoints the other two members out of a panel of members both, from the staff side as well as from the official side maintained by it.

Rule of the Law

Industrial relations systems are founded on a framework of labour law, which exerts an influence on the nature of the system. However, recourse to the law and its potential to influence the resulting industrial relations system may sometimes be over-emphasized. It is useful, therefore, to examine, from three points of view, the role of the law in influencing an industrial relations system—its objectives; areas it should cover, as well as what the law cannot achieve. In any working situation, people need to cooperate with each other if there is to be maximum gain for them, to the management and to society as a whole. Cooperation, however, is not easily obtained as people working together have conflicting interests. Employees are primarily concerned with the security of their jobs and what they can earn, and the employer with what he can produce as cheaply as possible to obtain the maximum profit. When these conflicting interests take a definite form and shape, the State often has to step in to protect some of these interests through legal control. Labour law has amply demonstrated the sociological theory that:

"Law is a social institution, which seeks to balance conflicting interests and to satisfy as many claims as possible with minimum friction. Since the law must necessarily determine those interests which most urgently require protection over and above other interests, those of labour, where they lack self-reliance, have invariably formed a significant class of interests which the law protects. Hence, especially in some developing countries, the legal rules of an industrial relations system have been judged to some extent by the degree to which they further this end."

State Bank of India

The State Bank of India Employees' Union, Ahmedabad Circle, Ahmedabad, issued a strike notice dated 17.07.2006 to the management of the State Bank of India, Ahmedabad, proposing to observe a one day strike on 16.08.2006. This was to be observed by the workmen staff in the category of clerical and subordinate staff over their four- point charter of demands.

The demands included unlawful and high-handed manner of dealing with disciplinary cases by the management and awarding disproportionate punishment, transfer of armed guards, non-availability of medicines in the dispensaries and nonpayment of overtime.

The Regional Labour Commissioner (Central) (RLC (C)), Ahmedabad seized the matter in conciliation and held conciliation proceedings on 02.08.2006 and 10.08.2006 and persuaded the Union to defer the proposed strike till 29.08,2006. Further conciliation proceedings were held on 21.08.2006, 22.08.2006 and 28.08.2006. During conciliation proceedings held on 28.08.2006 RLC(C), Ahmedabad brought about a memorandum for a settlement, and the proposed strike was averted. The financial loss would have been nearly Rs.500 crore because of delay in transaction in the state of Gujarat had the strike not averted. There was a proposed All India Strike on 09.03.2006 by the United Forum of Bank Unions.

The State Sector Bank Employees Associations served a strike notice upon management of Associate Banks of SBI Corporate office Bombay for observing one day nationwide strike in all Associates Sector Bank on 28.03.2006 over their 21 point charter of demands. The Deputy Central Labour Commissioner (Central) Mumbai intervened and persuaded unions not to resort to the proposed strike and thus averted it.

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The three main functions of the law in an industrial relations system are auxiliary, regulatory and restrictive.

The first function is the support it gives to the autonomous system of collective bargaining, its operation and observance of agreements. One major objective of labour law is to create the legal framework which is necessary for employers, workers and their organizations to function effectively and as autonomous groups in the industrial relations system. [The International Labour Organization Convention on the Freedom of Association and Protection of the Right to Organize No. 87 (1948)]. Since one of the major purposes of such an association is to enable workers and employers to protect and further their interests, the law should also provide the legal framework needed to promote collective bargaining. In this connection, the International Labour Organization Convention on the Right to Organize and Collective Bargaining No. 98 (1949) would provide the necessary basis for such legislation.

The second function is to provide a set of rules governing the terms and conditions of employment and supplementing those created by the parties themselves. The greater the coverage by collective bargaining, the less will be the regulatory function of the law.

A third and more general role for the law in industrial relations is as an instrument of social change. The law does not always merely or solely reflect contemporary thinking in society and does not necessarily lag behind social and other values. It sometimes anticipates them and can, on occasion, be employed to fashion new ideas and to effect changes in behaviour.

Legal prescription should be viewed as merely laying down minimum terms and defining the permissible boundaries of action within which the two parties (employers and workers) must operate. Over-regulation through law could have adverse consequences on building a sound industrial relations system through voluntary action, and on the competitiveness of enterprises. A plethora of laws makes rapid adaptation to change difficult, and avoidance of laws can be a preoccupation of employers in such circumstances. Over-regulation is sometimes based on the misconception that sound industrial relations can be achieved through the law. The creation of harmonious industrial relations needs to be achieved by other, non-legal means; the law cannot 'compel' parties to establish good relations.

Statute law is one of the specific means used by the State to condition industrial relations outcomes, and represents the most direct means of State intervention. Statutory regulation of minimum terms and conditions such as minimum wages, working conditions, safety and health, social security and protection become terms and conditions in contracts of employment which must conform to them; they cannot be 'bargained' away.

Reasons for Workers to Organize

Workers organize or unionize to get a better deal in terms of pay, allowances and other perks that affect them monetarily since as a collective body they can get a fair share of the pie and also bring them security.

INDUSTRIAL DISPUTES

The causes of industrial disputes can be broadly classified into two categories: economic and non-economic causes. The economic causes will include issues relating to compensation like wages, bonus, allowances, and conditions for work, working hours, leave and holidays without pay, unjust layoffs and retrenchments. Non-economic factors include victimization of workers, ill treatment by staff members, sympathetic strikes, political factors, indiscipline, etc. Some of the important factors are:

- Wages and Allowances

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- Personnel and Retrenchment
- Indiscipline and Violence
- **Bonus:** This has always been an important factor in industrial disputes. In 2002 and 2003, 6.7 per cent of all disputes were related to bonus; in 2004, the figure was 3.5 per cent; in 2005, it was 3.6 per cent.
- **Leave and working hours:** Leaves and working hours have not been so important causes of industrial disputes. During 2002, only 0.5 per cent of disputes were because of leave and hours of work while this percentage increased to 1per cent in 2003. In 2004, it dropped to 0.4 per cent.
- **Miscellaneous**. The miscellaneous factors include
  - Inter/Intra-union rivalry
  - Charter of Demands
  - Workload
  - Standing orders/rules/service conditions/safety measures
  - Non-implementation of agreements and awards, etc.

Table 13.1 shows percentage distribution of disputes by causes.

TABLE 13.1 Percentage Distribution of Disputes by Causes

Cause or Group	*Year*			
	2002	***2003***	***2004***	***2005***
Wages and Allowances	21.3	20.4	26.2	21.8
Personnel	14.1	11.2	13.2	9.6
Retrenchment	2.2	2.4	0.2	0.4
Lay off	0.4	0.6	–	0.2
Indiscipline	29.9	36.9	40.4	41.6
Violence	0.9	1	0.9	0.4
Leave and Hours of work/ shift	0.5	1	0.4	–
Bonus	6.7	6.7	3.5	3.6
Inter/ Intra Union Rivalry	0.4	0.6	0.4	0.4
Non implementation of agreements and awards	3.1	1	1.1	0.9
Charter of Demands	10.5	8.8	5.7	7.1
Work load	0.5	0.4	0.7	1.1
Standing orders/rules/ safety regulations	1.8	1	2.4	0.2

STRIKES

A 'strike' is a powerful weapon used by trade unions and other labour associations to get their demands accepted. It generally involves quitting of work by a group of workers for the purpose of bringing pressure on their employer so that their demands are met. When workers collectively cease to work in a particular industry, they are said to be on strike.

According to the Industrial Disputes Act 1947, a strike is "a cessation of work by a body of persons employed in an industry acting in combination; or a concerted refusal of any number of persons who are

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or have been so employed to continue to work or to accept employment; or a refusal under a common understanding of any number of such persons to continue to work or to accept employment". This definition throws light on a few aspects of a strike. Firstly, a strike is stoppage of work by a group of workers employed in a particular industry. Secondly, it also includes the refusal of a number of employees to continue work under their employer.

In a strike, a group of workers agree to stop working to protest against something they think is unfair in their place of work. Labourers withhold their services in order to pressurize their employment or government to meet their demands, which can range from asking for higher wages or better benefits to seeking changes in the work environment. At times, strikes occur so ensure that employers listen more carefully to the workers and address their problems.

Causes of Strikes

Strikes can occur because of the following reasons:

- Dissatisfaction with company policy
- Salary and incentive problems
- Increment not up to the mark
- Wrongful discharge or dismissal of workmen
- Withdrawal of any concession or privilege
- Hours of work and rest intervals
- Leaves with wages and holidays
- Bonus, profit sharing, Provident Fund and gratuity
- Retrenchment of workmen and closure of establishment
- Dispute connected with minimum wages

LOCKOUTS

A lockout is a work stoppage in which an employer prevents employees from working. It is declared by employers to put pressure on their workers. This is different from a strike, in which employees refuse to work. Thus, a lockout is employers' weapon while a strike is raised by employees. According to the Industrial Disputes Act 1947, lockout is "the temporary closing of a place of employment or the suspension of work or the refusal by an employer to continue to employ any number of persons employed by him."

A lockout may happen for several reasons. When only part of a trade union votes to strike, the purpose of a lockout is to put pressure on a union by reducing the number of members who are able to work. For example, if a group of workers strike to make other workers less productive or make work conditions difficult for others, the employer may declare a lockout until the workers end the strike. Another case in which an employer may impose a lockout is to avoid slowdowns or intermittent work-stoppages. Occupation of factories has been the traditional method of response to lockouts by the workers' movement.

PICKETING

Picketing is when workers are dissuaded from work by stationing certain colleagues at factory gates. If it does not involve any violence, it is perfectly legal. Pickets are workers who are on strike who stand at the entrance

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to their workplace. It is basically a method of drawing public attention towards the fact that there is a dispute between the management and employees.

The purpose of picketing is to:

- Stop or persuade workers not to go to work
- Tell the public about the strike
- Persuade workers to take their union's side

GHERAO

Gherao, in Hindi, means 'to surround'. It denotes a collective action initiated by a group of workers under which members of the management are prohibited from leaving the industrial establishment premises by workers who block the exit gates by forming human barricades. Workers may *gherao* members of the management by blocking their exits and forcing them to stay inside their cabins. The main object of *gherao* is to inflict physical and mental torture to the person who is the target and hence this weapon disturbs industrial peace to a great extent.

INDUSTRIAL RELATIONS IN INDIA

Industrial Relations in India stand highly regulated by the State. The Directive Principles of the State Policy place upon the Government the responsibility of:

> 'securing legislation or economic organization, or any other way, to all workers, industrial or otherwise, work, living wages, conditions of work ensuring a decent standard of life, equal pay for equal work for both men and women, education, humane conditions of work, maternity relief, public assistance in case of unemployment, old age, sickness and disablement, full employment, leisure and cultural opportunities and participation of workers in the management of undertaking…'

With liberalization of the economy, industrial relations in India have changed over the last 10–15 years. There are different approaches to industrial relations: psychological, sociological, human relations, socio-ethical, Gandhian, and systems approach.

Industrial Relations Policy

Prior to 1991, the industrial relations system in India sought to control conflicts and disputes through excessive labour legislations. These labour laws were protective in nature and covered a wide range of aspects of workplace industrial relations like laws on health and safety of labourers, layoffs and retrenchment policies, industrial disputes and the like. The basic purpose of these laws was to protect labourers. However, these protectionist policies created an atmosphere that led to increased inefficiency in firms, over-employment and inability to introduce efficacy. With globalization, the 40-year-old policy of protectionism proved inadequate for Indian industry to remain competitive as the lack of flexibility posed a serious threat to manufacturers because they had to compete in the international market.

With the advent of liberalization in1992, the industrial relations policy began to change. Now, the policy was tilted towards employers who opted for workforce reduction, introduced policies of voluntary retirement schemes and increased flexibility in the workplace. Thus, globalization brought major changes in industrial relations policy in India. These changes can be summarized as follows:

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- Collective bargaining in India has mostly been decentralized, but sectors where it was not so, are also facing pressures to follow decentralization.
- Some industries are cutting employment to a significant extent to cope with domestic and foreign competition, e.g., pharmaceuticals. On the other hand, industries where the demand for employment is increasing, there is employment growth.
- In the expansionary economy, there is a clear shortage of managers and skilled labour.
- The number of local and enterprise level unions has increased and there is a significant reduction in the influence of the unions.
- Under pressure some unions and federations are putting up a united front e.g., banking.
- Another trend is that the employers have started to push for internal unions i.e., no outside affiliation.
- HR policies and forms of work are emerging that include, especially in multi-national companies, multi-skills, variable compensation, job rotation, etc. These new policies are difficult to implement in place of old practices as the institutional set-up still needs to be changed.
- HRM is seen as a key component of business strategy.
- Training and skill development is also receiving attention in a number of industries, especially banking and information technology.

PROHIBITION OF STRIKES AND LOCKOUTS

Employees are prohibited from striking according to Section 22 of the Industrial Disputes Act 1947. Employees of a public utility service cannot go on a strike without giving a notice of strike within six weeks before striking. They cannot go on strike either within fourteen days of providing the strike notice or before the expiry of the date of strike specified in any such notice. The same rule applies to the employers of such a public utility service; they cannot lockout any of their employees without giving them a prior notice within six weeks before the lockout or within fourteen days of giving such a notice. Moreover, the notice of strike or lockout is to be given in a prescribed manner showing the number of persons involved in the strike/lockout.

Union Legislation on Trade Unions

Trade Unions in India are governed by Trade Unions Act, 1926. The main objective of the Act is to provide for the registration of trade unions and to give registered trade unions a legal status.

In pursuit of the primary objectiv, the Act contains 33 sections. The provision can be broadly divided into

- Definitions (Sec 2)
- Registration of Trade Unions (Sec 4 and 5)
- Cancellation of registration (Sec 10)
- Appeals (Section 11)
- Change of name (Section 23)
- Amalgamation of trade unions (Section 24 to 26)
- Dissolution (Section 27)
- Annual returns (Section 28)
- Power to Make Regulations (Section 29 and 30)
- Penalties (Section 31)
- Who can file prosecutions (Section 32)
- Authorities under the Act:
  - Registrar of Trade Unions (Section - 3)
    - Labour Commissioner
  - Additional Registrar of Trade Unions
    - Additional Labour Commissioner (IR & E)
  - Deputy Registrar of Trade Unions
    - Joint Labour Commissioner (P)

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The notice of strike or lockout is not necessary when there is already a strike or lockout going on in the company. However, a notice should be issued on the day on which the lockout is declared to intimate the appropriate authorities about the lockout. The employer is supposed to report the number of notices of strikes received by him to the appropriate Government or the authority prescribed by the government within five days of receiving such notices.

Illegal Strikes and Lockouts

A strike or a lockout is illegal if it is declared in noncompliance with the section 22 (as defined above) of Industrial Disputes Act 1947, that is, if the notice period is not served or if the strike is held within fourteen days of issuing the notice of strike. If a strike or lockout has already taken place and is being referred to a Board, the continuance of such a strike or lockout is not illegal provided it is in compliance with the provisions of Act. Moreover, a lockout declared in consequence of an illegal strike or a strike declared in consequence of an illegal lockout shall not be deemed to be illegal.

Penalty for Illegal Strikes and Lockouts

A workman who is involved in an illegal strike can be penalized with imprisonment for a term extendable to a month or with a fine of Rs 50 or both. In similar way, an employer who initiates and continues a lockout is punishable with imprisonment extendable to a month or with a fine of Rs 1000 or both. According to Section 25 of the Industrial Disputes Act, 1947, no person should provide any sort of financial aid to any illegal strike or lockout. Any person who knowingly provides such a help in support of any illegal strike or lockout is punishable with imprisonment for a term which may extend to six months, or with fine of Rs 1000 or with both.

Measures for Improving Industrial Relations

The following measures should be taken to achieve good industrial relations:

- **Strong and Stable Union** A strong and stable union in each industrial enterprise is essential for good industrial relations. The employers can easily ignore a weak union on the plea that it hardly represents the workers. The agreement with such a union will hardly be honoured by a large section of workforce. Therefore, to the union must represent the majority of workers and negotiate with the management about the terms and conditions of service.
- **Mutual Trust** Both, management and labour should help in the development of an atmosphere of mutual cooperation, confidence and respect. The management should adopt a progressive outlook and should recognize the rights of workers. Similarly, labour unions should persuade their members to work for the common objectives of the organization. The management and the unions should have faith in collective bargaining and other peaceful methods of settling disputes.
- **Workers' Participation in Management** The participation of workers in the management of the industrial unit should be encouraged by making effective use of works committees, joint consultation and other methods. This will improve communication between managers and workers, increase productivity and lead to greater effectiveness.
- **Mutual Accommodation** The employers must recognize the right of collective bargaining of the trade unions. In any organization, there must be a great emphasis on mutual accommodation rather than conflict or uncompromising attitude. One must clearly understand that conflicting attitude does not lead to amicable labour relations; it may foster union militancy as the union reacts by engaging

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in pressure tactics. The approach must be of mutual 'give and take' rather than 'take or leave'. The management should be willing to co-operate rather than blackmail workers.

- **Sincere Implementation of Agreements** The management should sincerely implement the settlements reached with the trade unions and should enforce them both, in letter and spirit. If this is not done, the union and management stop trusting each other and an environment of uncertainty is created. To avoid this, efforts should be made at both ends to ensure the follow up of the agreements.
- **Sound Personnel Policies** The following points should be noted regarding personnel policies. The policies should be:
  - Formulated in consultation with the workers and their representatives if they are to be implemented effectively

Indian Constitution and Social Justice

Industrial Jurisprudence was not very developed before the Constitution of India came into force. Before the Independence, the paramount concern of the Government was to ameliorate the condition of the factory workers. It was only after the commencement of the Constitution that the paramount concern of the Government shifted towards social justice for the labourers, who constituted the bulk of the population.

The relevance of the dignity of human labour and the need for protecting and safeguarding the interests of the labour as human beings has been enshrined in Chapter III (Articles 16, 19, 23 & 24) and Chapter IV (Articles 38, 39, 41, 42, 43, 43A & 54) of the Constitution of India keeping in line with Fundamental Rights and Directive Principles of State Policy. Part IV of the Constitution mandates the state to make 'provision for securing just and humane conditions of work'.

The Indian Constitution also enshrines the idea of social justice as one of the objectives of the State. Justice Bhagwati, in a landmark case, opined that the concept of justice does not emanate from the fanciful notions of any particular adjudication, but must be founded on a more solid foundation (Muir Mills Ltd. v. Suti Mill Mazdoor Union, (1955 1 LJJ 1 (SC)). Justice Gajendragadkar opined that "the concept of social and economic justice is a living concept of revolutionary import; it gives sustenance to the rule of law and meaning and significance to the idea of welfare state" (State of Mysore v. Workers of Gold Mines, AIR 1958 SC 923). Some of those provisions of Chapter II and IV are:

1. The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of the national life (Art. 38 of the Indian Constitution).
2. The State shall, in particular, strive to minimize the inequalities in income, and endeavour to eliminate inequalities in status, facilities and opportunities, not only amongst individuals but also amongst groups of people residing in different areas or engaged in different vocations (Art. 38 of the Indian Constitution).
3. The State shall, in particular, direct its policy towards securing that the citizen, men and women equally, have the right to an adequate means of livelihood (Art. 39 of the Indian Constitution);
   - that the ownership and control of the material resources of the community are so distributed as best to sub serve the common good;
   - that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment;
   - that there is equal pay for equal work for both men and women;
   - that the health and strength of workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength;
   - that children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity and that childhood and youth are protected against exploitation and against moral and material abandonment.

Labour is in Concurrent Subjects in the Constitution of India implying that both, Union and State governments are competent to legislate on labour matters and administer the same. The bulk of important legislative acts have been enacted by the Parliament.

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- Clearly stated so that there is no confusion in the mind of anybody
- Implementation of the policies should be uniform throughout the organization to ensure fair treatment to each worker

◈ **Government's Role** The Government should play an active role in promoting industrial peace. It should make a law for the compulsory recognition of a representative union in each industrial unit; and should intervene to settle disputes if the management and workers are unable to settle their disputes. This will restore industrial harmony.

◈ **Progressive Outlook** A progressive outlook of the management of each industrial enterprise is very important. It should be conscious of its obligations and responsibilities to the owners of the business, employees, consumers and the nation. The management must recognize the rights of workers to organize unions to protect their economic and social interests.

UNION LEGISLATIONS

Employment relations in India are governed by labour legislation passed as early as 1923 (Workmen, 1923). However, Industrial Disputes Act 1947 is the most important and most litigated of all labour legislation passed so far in India.

Labour Unrest Mars Industrial Activity—National Unions in Fray

Chandigarh: Clouds of labour unrest continue to hang low over the industrial estate in Panchkula which is home to over 300 small-scale units engaged as ancillaries to larger units, mainly in the automobile sector. With three cases of labour problems reported in **the last three months**, the industrial area here is rife with union activity. It is mostly the larger players like Drish Shoes and the State Sector Bharat Electronics Limited (BEL), which have had to bear the brunt of trade union activity at some point in time in the recent past. The continuing sluggishness of the economy has contributed to the present situation in a major way. Manufacturing units, feeling the pinch of dwindling orders, are looking for flexibility in terms of employment of workers. Instead of direct employment, they are more interested in adopting 'contract manufacturing', with a greater flexibility on the hire and fire front. Union activity is greater among workers who have spent five years and above in a particular unit and are covered under the labour laws. On a visit to the industrial area on **Monday**, Times News Network came across workers from two units staging protests. First was the demonstration in front of the Drish Shoes unit which has a total of 375 workers. The demonstration had been underway for five days. The issue: workers not willing to sign a 'letter of good conduct' which bars employees from engaging in union activities. The union was affiliated to the All-India Trade Union Congress (AITUC). A few blocks away, another group of five was staging a chain hunger strike. The company was Surya Pharmaceuticals; their union general secretary Amarpreet Singh Gill said, "we have been victimised. The management has transferred all five office bearers of the employees' 'union to their other plants at Baddi and Banur knowing fully well that they are not in a position to relocate themselves." Surya Pharmaceuticals had over 80 workers on their rolls and the union was affiliated to the Left-oriented Centre for India Trade Unions (CITU). Earlier, the employees of state-owned BEL had adopted the path of confrontation. The workers were not comfortable with the management's decision regarding introduction of smart cards for marking attendance. "They have not taken our consent before implementing the decision," the union leader said. The issue was resolved subsequently but it highlighted the extent of trade union activity in the industrial area. The individual unions here are affiliated to one or the other central trade unions and the office bearers of these bodies take an active part in sorting out issues between the workers and the management. Times News Network witnessed the ongoing deliberations between Drish Shoes Employee Union and the company management, mediated by labour officer Dharampal. However, it was an office-bearer of the AITUC Haryana State Committee who dominated the negotiations which broke the impasse.

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Some Important Labour Enactments in India

Central and State Labour Acts in force

(a) Labour laws enacted by the Central Government, where the Central Government has the sole responsibility for enforcement.

- The Employees' State Insurance Act, 1948.
- The Employees' Provident Fund and Miscellaneous Provisions Act, 1952.
- The Dock Workers (Safety, health and Welfare) Act, 1986.
- The Mines Act, 1952.
- The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare (Cess) Act, 1976.
- The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Fund Act, 1976.
- The Mica Mines Labour Fund Act, 1946.
- The Beedi Workers Welfare Cess Act, 1976.
- The Beedi Workers Welfare Fund Act, 1976
- The Limestone and Dolomite Mines Labour Welfare Fund Act, 1972.
- The Cine Workers Welfare (Cess) Act, 1981.
- The Cine Workers Welfare Fund Act, 1981.

(b) Labour Laws enacted by Central Government and enforced both by Central and State Governments.

- The Child Labour (Prohibition and Regulation) Act, 1986.
- The Building and other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996.
- The Contract Labour (Regulation and Abolition) Act, 1970.
- The Equal Remuneration Act, 1976.
- The Industrial Disputes Act, 1947.
- The Industrial Employment (Standing Orders) Act, 1946.
- The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979.
- The Labour Laws (Exemption from Furnishing Returns and maintaining Registers by Certain Establishments) Act 1988.
- The Maternity Benefit Act, 1961.
- The Minimum Wages Act, 1948.
- The Payment of Bonus Act, 1965.
- The Payment of Gratuity Act, 1972.
- The Payment of Wages Act, 1936.
- The Cine Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981.
- The Building and other Construction Workers Cess Act, 1996.
- The Apprentices Act, 1961.
- Unorganized Workers Social Security Act, 2008.
- Working Journalists (Fixation of rates of Wages) Act, 1958.
- Merchant Shipping Act, 1958.
- Sales Promotion Employees Act, 1976.
- Dangerous machines (Regulation) Act, 1983.
- Dock Workers (Regulation of Employment) Act, 1948.
- Dock Workers (Regulation of Employment) (Inapplicability to Major Ports) Act, 1997.
- Private Security Agencies (regulation) Act, 2005.

(c) Labour Laws enacted by Central Governments but enforced by State Governments

- The Employers' Liability Act, 1938.
- The Factories act, 1948.
- The Motor Transport Workers Act, 1961.
- The Personal Injuries (Compensation Insurance) Act, 1963.
- The Personal Injuries (Emergency Provisions) Act, 1962.
- The Plantation Labour Act, 1951.
- The Sales Promotion Employees (Conditions of Service) Act, 1976.
- The Trade Unions Act, 1926.
- The Weekly Holidays Act, 1942.
- The Working Journalists and Other newspapers Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955.
- The Workmen's Compensation Act, 1923.
- The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959.
- The Children (Pledging of Labour) Act, 1938.
- The Bonded labour System (Abolition) Act, 1976.
- The Beedi and Cigar Workers (Conditions of Employment) Act, 1966.

(d) Labour Laws enacted and enforced by the various State Governments which apply to respective States e.g.,

The Punjab Shops and Commercial Establishment Act, 1958, regulates the conditions of work and terms of employment of workers engaged in shops, commercial establishments, theatres, restaurants, etc.

The Punjab Maternity Benefit Act, 1943, provides for the grant of cash benefits to women workers for specified periods before and after confinements.

The Punjab Industrial Housing Act, 1956, provides for the administration allotment, realization of rent, etc., in connection with quarters constructed under the Subsidized Industrial housing Scheme

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It makes provision for the investigation and settlement of industrial disputes and certain other purposes. The law relating to industrial disputes in India is also known as the 'industrial law'. Industrial dispute are disputes, which are related to an industry.

There are two types of organizations to which the trade unions in India are affiliated:

- National Federations
- The Federations of Unions

National Federations

National Federations have all the trade unions in a given industry as their affiliated members. Every trade union, irrespective of the industry to which it belongs, can join a general national federation. Such federations are the apex of trade union policies and have a national character. The central union organizations are national federations of labour based on different political ideologies.

Craft and General Union

A craft union is built around a certain specialized skill, which has necessitated a special type of training. Craft unions are open to Craft and General Union members of a certain trade/skill like Air India's navigator's union. Alternatively, a general union is open to all members irrespective of their skills cutting across trades/skills and includes unskilled, semi and skilled workers. Developed western societies too, have similar unions. In these places, the industrial way of life has had a longer history.

Union Shop

When the union acts as supplier of labour, every employee is expected to join the union. Here, the union makes employment conditional on union membership.

Check Off

The check-off system is a practice where the management collects an employee's union dues, as a wage deduction and gives a lump sum amount to the union. This is a facility that ensures totality of collection of

Federations of Unions

These are combinations of various unions for the purpose of gaining strength and solidarity. They can resort to concerted action when the need for such action arises without losing their individuality. Such federations may be local, regional, state, national and international. There are a few organizations which are local in character, such as the Bharatiya Kamgar Sena, the Labour Progressive Federation, Chennai, the National Front of Indian Trade Unions and the Co-ordinating Committee of Free Trade Unions.

Besides the affiliated unions and their federations, there are a large number of associations and federations which have not joined any one of the central workers' organizations. Some of these are:

(i) The All India Bank Employees' Association;
(ii) The All India Bank Employees' Federation;
(iii) The All India Insurance Employees' Association;
(iv) The All India Defence Employees' Federation;
(v) The All India Railwaymen's Federation;
(vi) The National Federation of Posts and Telegraphs Employees; etc.

At the international level, the World Federation of Trade Unions (W.F.T.U.) and the International Confederation of Free Trade Unions (I.C.F.T.U.) are two important organizations.

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union dues with no excuse for employees to a resist from paying, which would otherwise have happened in case of voluntary contribution. However, such a facility is provided only to a recognized union.

UNION FREE COMPANIES

There are companies without unions as well. Employees of such organizations realize the negative consequences of unionization, are unsure of how a union can improve unsatisfactory working conditions and therefore, and prefer to remain free from it. Some also reject unions believing that this would allow others to take control of their destiny. Strategies and tactics to remain union-free are shown in Figure 13.3.

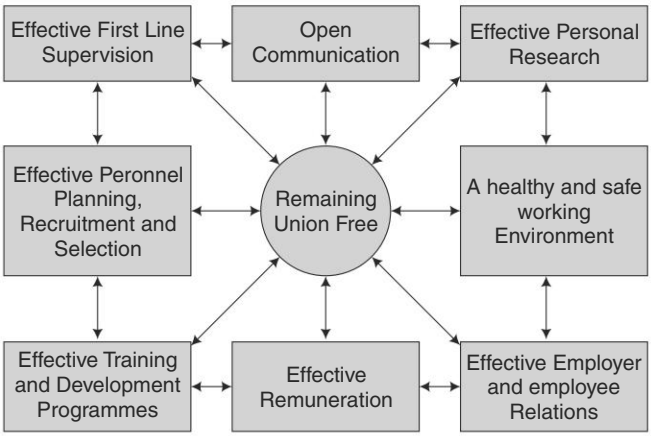

FIGURE 13.3 Strategies and tactics for remaining union free companies

Managers and management develop long-term strategies and effective tactics to prevent unionization of their organizations. The major strategies used are:

(a) Effective supervision
(b) Open communication
(c) Effective personal research
(d) Healthy and safe working environment
(e) Effective employer and employee relations
(f) Effective remuneration

SUMMARY

One of the most important facets of industrial society is maintenance of peace and harmony at the industrial plant, without which neither industry nor employees can flourish. In this chapter, we have discussed industrial relations, its importance and scope. We have read about the development of industrial relations from the Industrial Revolution to the present day; the systems approach to industrial relations, Dunlop's approach, and the importance of power.

In the Indian context, we have studied the evolution of industrial relations, the relevance of the dignity of human labour, the need for protecting and safeguarding the interest of the labourer as human beings as enshrined in Chapter III

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(Articles 16, 19, 23 and 24) and Chapter IV (Articles 38, 39, 41, 42, 43, 43A and 54) of the Constitution of India keeping in line with Fundamental Rights and Directive Principles of State Policy. Part IV of the Constitution mandates the state to make 'provision for securing just and humane conditions of work'.

After Independence, the Government established the Labour Commission, a separate ministry in the Government of India and enacted various Acts for ensuring smooth functioning of industry.

India is also a signatory to ILO convention and has enacted many laws made by the ILO. The Government encourages Freedom and Association in Labour, Bipartite and Tripartite agreements; it has appointed labour functionaries to facilitate the processes for agreements.

KEY TERMS

Industrial relations
Labour movement
Trade unions
Industrial relations system
International Labour Organization
Tripartism
Industrial disputes
Strikes
Lockouts
Gherao
Union legislations

REVIEW QUESTIONS

1. Define a trade union and discuss its aims and objectives.
2. Write an essay on the trade union movement in India.
3. Trace the origin and growth of the trade union movement in India.
4. What are the drawbacks of the trade union movement in India? Give suggestions for making this movement stronger.
5. Discuss how a trade union can be made an effective tool of industrial relations in India.
6. Write an essay on the theories of trade union.
7. What are the strategies available for keeping an organization union-free?
8. What is the impact of outside leadership on the functioning of a trade union? How can this be remedied?
9. Write short notes on:
   (i) Impact of labour union on the management
   (ii) Functions of trade unions
   (iii) Financial problems of trade unions
10. Explain the main features of the Trade Union Act, 1926.
11. Explain the concept of industrial relations. What is the significance of good industrial relations?
12. What are the objectives of industrial relations? Discuss the weapons used by management and workers.
13. What are the causes of industrial disputes? Suggest how the effect of industrial dispute can be minimized.
14. Discuss the Dunlop's approach to industrial relations.
15. One of the most difficult attempts in industrial relations is to build up a theory and to generalize on its activity that is highly dynamic. Discuss.
16. Analyse the strategic options that a management has for aligning industrial relations and Human Resource Practices.
17. Compare and contrast domestic and international industrial relations.

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PROJECT WORK

1. Visit an industry located in your area and prepare a write up on emerging trends in industrial relations.
2. Study and discuss the following models of industrial relations in class: (a) The Oxford Approach (b) Industrial Sociological Approach (c) Action Theory Approach (d) Marxist Approach (e) Pluralist Approach (f) Weber's Social Approach and (g) The Human Relations Approach.

FURTHER READINGS

www.encyclopedia.com and www.icssr.org for articles on Industrial Relations in India

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ENDNOTES

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2. Ibid., p. 1
3. Adam Jr., Graham, (1966), *Age of Industrial Violence 1910–1915: The Activities and Findings of the United States Commission on Industrial Relations*, New York and London: Columbia University Press
4. Yoder, Dale (1959), *Personnel Principles and Policies*, Prentice-Hall
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CHAPTER FOURTEEN 14

Collective Bargaining and Social Dialogue

LEARNING OBJECTIVES

After studying this chapter, you will be able to understand

- Collective bargaining
- Concept, impact, definition and use of collective bargaining
- Social dialogue
- Goals of social dialogue
- Enabling conditions of social dialogue
- Social dialogue and the International Labour Organization

TRADE UNIONS AT MODI STEELS

Modi Steels, a company of the Modi Group, is one of the larger producers of steel in western Uttar Pradesh. The backbone of Modi Steels is its human resource and it follows the principle of 'People First'. The HR function of Modi Steels has formulated an integrated strategy which rests on the four building blocks of HR: Competence building, Commitment building, Culture building and Systems building. All HR initiatives are undertaken within this broad framework to actualize the company's vision of 'enabling employees to be a family of committed world class professionals making Modi Steels a learning organization'. The bedrock of excellence of Modi Steels lies in its focused human resource development objectives, which can be summarized as follows:

1. To enhance organizational performance by institutionalizing an objective and open performance management system.

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2. To align individual and organizational needs and to develop business leaders by implementing a career development system.
3. To enhance the commitment of employees by recognizing and rewarding high performance.
4. To build and sustain a learning organization of competent world-class professionals.

To institutionalize core values and create a culture of team building, empowerment, equity, innovation and openness, which will motivate employees and enable the achievement of strategic objectives. Workshops for employee representatives are held at regular intervals to sensitize them to opportunities, threats and challenges facing the company, as it operates in an uncertain business environment. Workshops also reiterate employees' significant role in synergizing the potential of human resources—the sole differentiating factor of competitive advantage in today's knowledge-based economy.

Union-management relations at NTPC are governed through the Bipartite Committee, consisting of four Central Trade Union Organizations nominees—the All India Trade Union Congress (AITUC), Bhartiya Mazdoor Sangh (BMS), the Centre of Indian Trade Unions (CITU) and the Indian National Trade Union Congress (INTUC).

Trade unions at Modi Steels not only act as a mechanism to give voice to employee grievances and problems before management, but they also are fairly involved in welfare measures for workers and in improving the quality of their work life. Meetings are held from time to time in which management and union representatives discuss and try to resolve several issues, the primary ones pertaining to labour welfare.

Welfare activities of the workers at Modinagar are divided into two broad categories: plant welfare and township welfare.

Under this category, the following facilities are provided for the employees:

1. **Canteen facilities**: Canteens in the plant are run by the Indian Coffee Workers Cooperative Society (ICWCS) affiliated to the All India Coffee Workers Cooperative Society (AICWS), New Delhi.
2. **Drinking water facilities**: The union ensures provision of water coolers for the employees in the plant, offices and canteens.
3. **Other facilities**: Among other facilities, workers are provided with restrooms.

Meetings at the plant are an important means to take care of the overall development of workers. Issues related to plant improvement, labour problems and labour welfare are discussed here.

The following are the different types of meetings at Modi Steels:

Shop Level Committee (SLC) Meetings

There are four SLCs which function in the areas of Operations, Maintenance, Coal Handling, and the Plant and Service Department. In these meetings, issues related to plant productivity, safety, quality improvement and cost-cutting are raised and discussed. Broadly speaking, SLCs oversee decision-making for the development of the plant as a whole. Meetings are attended by representative members of unions and associations, and also by representatives of management.

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Plant Level Committee (PLC) Meetings

Issues unresolved at the shop level are taken up in these meetings, which take place once every four months and are attended by specific representative members of unions and management.

Direct Meetings of Union with General Manager

These meetings take place when an issue cannot be resolved in either of the above-mentioned meetings.

Township Advisory Development Committee (TADC) Meetings

These meetings are also attended by representatives from unions, associations and the management. Issues such as development of the township in context with civil work, electrical work and safety are discussed.

Canteen Maintenance Committee (CMC) Meetings

As is evident from the name, in these meetings, issues related to improving canteen facilities and renovations are discussed between the union, association representatives and management. The frequency of such meetings is once every two months.

From the entire gamut of issues it is evident that trade unions at Modi Steels not only play an active role in maintaining good industrial relations, but are also adequately involved in improving the quality of work life of employees. Roles once considered secondary and ancillary are gradually metamorphosing into an extension of primary functions of unions at the Modinagar plant. In fact, the welfare of workers seems to be an inseparable component of the functions of these unions.

Collective bargaining is the process whereby workers organize collectively and bargain with employers regarding the workplace. Slichter[1] wrote that 'Collective Bargaining' is a method of "introducing civil rights into industry, that is, of requiring that management be conducted by rule rather than by arbitrary decision." Collective Bargaining is coming together of workers to negotiate their employment.

The Government of India inherited a legacy from the national movement, which persistently pleaded for the workers' right to strike and for collective bargaining. Soon after Independence, the collective bargaining approach to Industrial relations was stated in the Industrial Truce Resolution (1947),[2] which although urging the effective use of existing machinery, stressed the need for developing a system of mutual discussion and negotiations between the parties. With clear objective of promoting collective bargaining, amendments to the Indian Trade Unions Act, 1926 were passed by the Parliament in 1947, which *inter alia,* provided basic protection to unions against unfair employer practices, and provisions were made for compulsory recognition of representative unions by employers.

CONCEPT OF COLLECTIVE BARGAIN

The ILO Convention No. 98 (1949) relating to the Right to Organize and to Bargain Collectively describes collective bargaining as, "Voluntary negotiation between employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by collective agreements."

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Primary Functions of Trade Unions

The primary function of a trade union is to promote and protect the interest of its members (Perlman, 1928; Hoxie, 1921). This can be summarized as follows:

- To improve working and living conditions and to represent workers' interests in various fora. (Freeman & Medoff, 1984).
- To offer responsive cooperation in improving levels of production and productivity, discipline, and high standards of quality.
- To secure fair wages for workers. Madheswaran and Shanmugam (2003) have analysed the impact of trade unions on wages by estimating the union-non-union wage differential using a single wage equation, treating unionism as a dummy. They estimate that workers within the union sector earn 19 per cent more than the workers in the non-union sector.

New Functions of Trade Unions

New functions of trade unions, also called ancillary functions (Monappa, 2000), are:

- Communication: Many large unions publish a newsletter or a magazine, with the main aim of clarifying their policy or stance on certain principal issues, as well as to pass on information about their activities.
- Welfare activities: Many unions are engaged in a number of welfare activities, such as providing housing and organizing cooperative societies to improve the quality of workers' lives. The Textile Labour Association (TLA), Ahmedabad, for example, has ventured to organize self-employed women (in the Self Employed Women's Association [SEWA]) and has even started banking activities for this purpose.
- Education: Education helps to make workers aware of their surrounding environments. Unions make efforts to launch educational programs for workers to enhance their knowledge of the work environment and to inform them about issues concerning them, particularly those regarding their rights and responsibilities and regarding procedures and systems that exist in the workplace for redressing grievances.
- Research: Union negotiators need updated information to be systematically collected and analysed at the bargaining table. They also need to backup their wage demands with knowledge of the industry, of productivity, and of comparative industry practices. Many unions conduct their own research to this effect, laying emphasis on practical problems, especially day-to-day affairs at work.
  - To enlarge opportunities for promotion and training.
  - To promote identity of workers' interests with their industries.
  - To cooperate in and facilitate technological advancement by broadening workers' understanding of underlying issues.

Sources: Perlman, S. (1928), *A Theory of The Labour Movement,* New York: MacMillan

Hoxie, Robert (1921), *Trade Unionism in United States*

Collective bargaining is a type of negotiation used by employees to work with their employers during which workers' representatives approach the employer and attempt to negotiate a contract which both sides can agree with. Once negotiated, it is signed and kept in place for a set period of time, most commonly for three years. The final contract is called a 'collective bargaining agreement', to reflect the fact that it is the result of a collective bargaining effort.

DEFINITION OF COLLECTIVE BARGAINING

Collective bargaining has been defined by many in different ways; however, we can say that 'it is a method by which problems of wages and conditions of service/employment are resolved peacefully and voluntarily between labour and management' (Tripathi, 1968, p. 29). I.L.O. defines collective bargaining:

> "as negotiations about working conditions and terms of employment between an employer, or a group of employers or one or more employers' organizations, on the one hand, and one or more representative workers' organization on the other with a view to reaching agreement."

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Internationally Recognized Core Labour Standards In India

India has ratified four of the eight core ILO labour Conventions. In view of restrictions on trade union rights, the prevalence of child labour and forced labour as well as discrimination, determined measures are needed to comply with the commitments India accepted at Singapore, Geneva and Doha in the WTO Ministerial Declarations over 1996–2001, and in the ILO Declaration on Fundamental Principles and Rights at Work.

India has not ratified the core ILO Convention on freedom of association or the core Convention on collective bargaining. There are several restrictions with regard to freedom of association, collective bargaining and the right to strike, both in law and in practice. Public sector workers are even further restricted in their rights. Proposals that have been made to amend the legislation would further restrict trade union rights.

India has ratified the core ILO Convention on Equal Remuneration as well as the Convention on Discrimination. However there are legal shortcomings and in practice there is discrimination in employment and wages. In particular Dalits are subject to serious discrimination and are employed in the most exploitative jobs.

India has not ratified the core ILO Convention on the Worst Forms of Child Labour and the Convention on Minimum Age. Despite efforts, child labour remains a serious problem in India and includes hazardous child labour and bonded child labour.

India has ratified both Conventions on Forced Labour. There are reports of trafficking for forced labour and forced prostitution. There is also a widespread problem of bonded labour in India.

This definition has restricted collective bargaining to improving living conditions, however, collective bargain envisages many more things, and hence Perlman aptly stated:

> "Collective bargaining is not just a means of raising wages and improving conditions of employment. Nor is it merely democratic government in industry. It is above all a technique…collective bargaining as a technique of the rise of a new class is quite different … from the desire to displace or 'abolish' the old 'ruling class'… to gain equal rights as a class … to acquire an exclusive jurisdiction in that sphere where the most immediate interests, both material and spiritual, are determined, and a shared jurisdiction with the older class or classes in all other spheres."[3]

In India, collective bargaining has been the subject matter of industrial adjudication since long and has been defined by our law courts. According to the Supreme Court, Industrial Disputes Act, 1947 seeks to achieve social justice on the basis of collective bargaining. In Ram Prasad Viswakarma vs. Industrial Tribunal, the Court observed that, "it is well-known how before the days of 'collective bargaining', labour was at a great disadvantage in obtaining reasonable terms for contracts of service from its employers. In Karnal Leather Karamchari Sangthan vs Liberty Footwear Company (AIR, 1990 SC 247) the Supreme Court observed that "collective bargaining is a technique by which disputes as to conditions of employment is resolved amicably by agreement rather than coercion." As trade unions developed in the country and collective bargaining became the rule, employers found it necessary and convenient to deal with representative of workmen, instead of individual workmen and as regards, not only for the making or modifications of contracts but in the matter of taking disciplinary action against one or more workmen and as regards all other disputes."

APPROACHES TO COLLECTIVE BARGAINING

Chamberlain and Kuhn (1965)[4] considered that the various theories surrounding the nature of collective bargaining could be reduced to three: (i) a means of contracting for the sale of labour, (ii) a form of industrial governance, and (iii) a method of management.

Collective bargaining is a system of social dialogue and can be:

(a) Centralized at the industry or national level and leaves little discretion at the enterprise level.

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(b) Enterprise level: Due formation of independent trade unions, the focus of collective bargaining has shifted from the region/industry level to the enterprise or even plant level.

National/Industry Bargaining

The national/industry level collective bargaining is common in the case of core industries in the public sector like coal, steel, cement, ports, banks and insurance. In the private sector, it is practiced by traditional industry groups like textiles, plantations and engineering. This type of bargaining accepts the contractual nature of the bargaining relationship. It views the collective agreement as a 'constitution' for the plant, company or the industry. The principal function here is to set up organs for executing and interpreting agreements for the industry and the means for their enforcement.

Industry/national level bargaining needs balancing of bargaining power; but the balance is seen resting on the mutual dependency of the parties; and secondly, on the power of each to veto the actions of the other.

Enterprise Bargaining

The importance of enterprise as a bargaining level is growing while industry-wide bargaining is losing ground. Enterprise level agreements are steadily increasing in number and becoming a point of decision-making. In industrialized countries, the trend is towards increasing autonomy of enterprises and individualization of labour relations. Collective bargaining at enterprise levels permits parties to determine content and reduces the need for legislation to prescribe what parties may or may not contrast over. If the management is willing to make agreements with unions concerning capital-labour ratios, entry into apprenticeship programmes, and the conditions under which temporary workers are hired, etc. the costs of these agreements will fall largely on the company and the union.

Concession Bargaining

Concession bargaining originated in USA as a temporary measure to save jobs during economic depression. Trade unions indicated their readiness to accept other options to avoid labour redundancies and preferred wage cuts or wage moderation to job losses and displacement. Apart from accepting wage reduction, other options considered under concession bargaining were: (a) shorter working hours (b) freeze on fresh recruitment (c) restriction on overtime; and (d) training and retraining of workers. In India, it was recently practiced at Kingfisher, Jet Airways and other industries during the economic downturn.

Composite Bargaining

Composite bargaining reflects a change in strategy from confrontation to coordination between management and labour for the promotion of their common interest of survival and progress of enterprises.

ESSENTIAL FEATURES OF COLLECTIVE BARGAINING

There are several essential features of collective bargaining, all of which cannot be reflected in a single definition or description. These are:

(i) It is not equivalent to collective agreements because collective bargaining refers to the process or means, and collective agreements to the possible result of bargaining. There may, therefore, be collective bargaining without a collective agreement.

(ii) It is a method used by trade unions to improve the terms and conditions of employment of their members, often on the basis of equalizing them across industries.

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(iii) It is a method that restores the unequal bargaining position as between employer and employee.

(iv) Where it leads to an agreement, it modifies, rather than replaces, the individual contract of employment, because it does not create the employer-employee relationship.

(v) The process is bipartite, but in some developing countries the State plays a role in the form of a conciliator where disagreements occur, or may intervene more directly (e.g., by setting wage guidelines) where collective bargaining impinges on government policy.

Support of the labour administration authorities is necessary for successful collective bargaining, and this implies that they will:

(i) provide the necessary climate for it, e.g., provide effective conciliation services in the event of a breakdown of the process, and provide the necessary legal framework for it to operate in, wherever necessary;

(ii) not support a party in breach of agreements concluded in consequence of collective bargaining;

(iii) as far as is practicable, secure observance of collective bargaining agreements;

(iv) provide for the settlement of disputes arising from collective bargaining if the parties themselves have not so provided.

Collective bargaining can be successful if both parties bargain in good faith. Otherwise the process is unlikely to yield positive and enduring results.

GOVERNMENT PERSPECTIVE ON COLLECTIVE BARGAINING

According to Chamberlain and Kuhn (1965),[5] the ethical principle underlying the governmental approach to collective bargaining is the 'sharing of industrial sovereignty', which has two facets:

"In the first place, it involves a sharing by management with the union of power over those who are governed, the employees. In the second place, it involves a joint defence of the autonomy of the government established to exercise such power, a defense primarily against interference by the state. Both stem from a desire to control one's own affair."

The sharing of power between management and the union means that only rules of employment that are mutually acceptable, and have the consent of employees, can be legitimized and enforced.

The third aspect of collective bargaining is the functional relationship. Unions join hands with company officials in reaching decisions on matters in which both have vital interests. A system of governance flows out of a system of industrial jurisprudence. The presence of unions allows workers, through their representatives in decision making, to determine policies guiding and ruling their working lives. Indeed, "collective bargaining by its very nature involves union representatives in decision-making."

IMPORTANCE OF COLLECTIVE BARGAINING

"Collective bargaining is the means by which a 'normative system' is created for regulating industrial conflict. However, collective bargaining does not prevent industrial conflict but it provides a forum for discussion and a means for systematic social change in the working code governing management-men relations. By providing a forum for meeting between management and union, collective bargaining can help facilitate improved relations and gradual change of the industry and productivity."[6] Management always expects that labour should be available at a lower rate, which permits a reasonable margin of profit. Similarly, workers

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expect that the level of real wages will not only be maintained but steadily increased. All these expectations are projected at the bargaining table and adjusted as far as possible.[7]

Prerequisites of Collective Bargaining

The prerequisites of collective bargaining are:

(a) A strong, independent and well-organized union
(b) Recognition of the union as the bargaining agent
(c) Willingness to 'give and take'
(d) A favourable political climate
(e) Mutual trust and good faith
(f) A problem-solving approach rather than a fire fighting approach

The success of the process of collective bargaining is based on lock out/strike/and other disruptive activities, but is primarily based upon the financial capacities of both the parties.

Advantages of Collective Bargaining

Collective bargaining has many advantages; it is a means of resolving differences between management and employees, though it has made little positive contribution to higher productivity and higher earnings by linking pay to performance and skills. It settles issues through dialogue and consensus rather than through conflict and confrontation. It differs from arbitration because the latter represents a solution based on a decision of a third party, while arrangements resulting from collective bargaining usually represent the choices or compromises of the parties themselves. Arbitration may invariably displease one party because it usually involves a win/lose situation, and sometimes it may even displease both parties.

Collective bargaining serves a dual purpose. It provides a means of determining the wages and conditions of work applying to the group of workers covered by the ensuing agreement through free and voluntary negotiations between the two independent parties concerned. Also, it enables employers and workers to mutually define the rules governing their relationship. These two aspects of the bargaining process are closely interrelated. Collecting bargaining can be advantageous for both, workers and employers. For workers, it ensures adequate wages and working conditions by providing them with a "collective voice". It also allows them to influence personnel decisions and to achieve a fair distribution of gains from technological progress and productivity increases. For employers, it helps to stabilize industrial relations by maintaining industrial peace that otherwise may be disrupted by labour unrest. Through collective bargaining employers can also address the need for adjustment to facilitate modernization and restructuring. Contrary to conventional belief, an ILO study[8] argued that collective bargaining has been one of the main consensual means of introducing labour market flexibility in many countries.

Preconditions for Collective Bargaining

The ratification of the Freedom of Association and Protection of the Right to Organise Convention, 1948 (C 87) and Right to Organise and Collective Bargaining Convention, 1949 (C 98), two of the fundamental ILO Conventions, is essential to provide a legal basis. There are many other ILO Conventions and Recommendations related to collective bargaining which stipulate the rights and principles of workers belonging to specific sectors. For successful collective bargaining, a proper enforcement mechanism (legal, regulatory or soft regulations) is essential. As for structural and institutional conditions, legitimate, strong, consistent and

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pragmatic workers and employers' organizations, standing on equal footing, facilitate fair negotiation and effective bargaining.

Hamal Panchayat

It was the year 1956, when the *hamals* (head loaders) of Pune first struck work for eight days to demand a raise in wages. *"Kata band kara"* (boycott the weighing scale) was the unifying slogan and *"kata band dukan band"* (no weighing scale no shop/business) was the outcome. Excluded from the purview of the Shops and Establishments Act, 1948, *hamals* were not assured minimum wages; their hours of work were not regulated and they had no legal recourse under the Act. The shops, the warehouses, the markets could not function without them and all commercial activity ground to a halt. The *hamals* were collectively invited to the negotiating table and a settlement was reached--higher piece rate service charges for different commodities to be reviewed every three years. The *hamals* demanded a written agreement, signed by both parties, but the traders refused to sign on the dotted line. The stalemate continued till the then Collector (administrative head of the district) intervened. He wrote down the substance of the settlement in the presence of both parties and affixed his signature to it in his capacity as the administrative head of the district. Neither of the parties signed the document but a record was created and a new practice established as precedent. From then on it was business as usual with a difference. The employer-employee relationship is often visualized in terms of polarities, positing the employer and employee in adversarial roles. In this case, both parties recognized the strength of the other and sought to define their ongoing relationship as mutually interdependent and beneficial long-term partnerships that needed to be maintained and nurtured and that they had common interests in maintaining and enhancing business growth.

They could have chosen otherwise. The *hamals,* based on their capacity to paralyse commerce, could have chosen to invoke the Industrial Disputes Act to demand 'employee' status and prolong the imbroglio, just as the traders could have used their greater financial muscle to 'break' the collectivisation of labour. Both bargained with a view to reach an agreement keeping aside the ambiguous and contentious issue of determining the 'employer-employee' status.

Although *hamals* operate from within the trading establishments, they are not paid by the shop owners and are, therefore, not their employees. They load and unload, fetch and carry for various consumers and vendors and are paid for the sale of their labour. The relationship between the establishment owner and the *hamal* is in the nature of 'permission' to operate from the establishment. The *hamals* did not seek to define their relationship with the traders. On the contrary, they asserted, "We own our backs. No one owns us. We cannot be compelled to work".

The unionization of *hamals* also brought in another change, that of the union assigning *hamals* to the establishments. Violation of this tenet by the employers was rare because of the threat of *"kata band"*.

The working conditions at the time were horrific.

At the goods yard at the railway station, *hamals* had to work in closed, dark railway containers, jostling each other in the limited space, inhaling cement dust and chemical fumes and choking on them, often tripping on uneven floors. There was no rest room, no toilets and not even drinking water. They paid a *handewali bai* (water woman) to supply drinking water to them through the working day. At the grocery market, enormous loads of jaggery had to be carried on their backs. With few sugar processing factories, all the jaggery was brought to the city. Often it was hot and dripping, and burnt the backs of the *hamals* through the sacks that were meant to protect them. The vegetable and fruit markets operated at night and the average weight carried was 100 kgs. It continues to be the same despite the ILO Convention that requires it to be less than 40 kg. The condition of the women workers was even more abysmal; mostly Dalits, they were not paid wages regularly. They swept the establishment and collected the spilled grain, which they had rights to and constituted their 'wages'.

The modes of communication between union members were the information boards outside the larger warehouses around which the members could congregate. Typically, *hamals* worked in *tolis* or gangs cemented by kinship or natal village ties. This enabled strengthening of the network.

There were similar struggles afoot in Bombay as well, P. D'Mello had organized the dock workers and porters while Alvarez tried to organize the loaders at the railway station. The demand for legislative protection became more strident and in response to the pressure, the Maharashtra government set up a committee to study the conditions of work of *hamals*.

What followed was the enactment of the Hamal Mathadi and Other Unprotected Manual Workers (Regulation of Employment and Welfare) Act, 1969, a historic and radical piece of legislation that was specifically intended to protect the thousands of labouring manual workers in insecure employments across the state.

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POSITION OF COLLECTIVE BARGAINING IN INDIA

Collective bargaining machinery is essentially a reflection of a particular social and political climate; the history of the trade union movement shows that a union is affiliated to some political party or the other. As a result, most of the trade unions are controlled by outsiders. Critics say that the presence of outsiders is one of the important reasons for the failure of collective bargaining in India.

Outsiders in the Process of Collective Bargaining

The Trade Unions Act, 1926, permits outsiders to be the office bearers of a union to the extent of half the total number of office bearers. So, even a person who does not actually work in the industry can be a leader of the union. The Indian experience shows that employers have been reluctant to discuss and negotiate industrial matters with outsiders, who have no personal or direct knowledge of day-to-day affairs of the industry. The National Commission on Labour does not favour a legal ban on non-employees for holding the union office. It says that without creating conditions for building up the internal leadership, a complete banning of outsiders would only make unions weaker. The Commission recommended the number of outside members to be less than the total members holding union office.

Where the membership of the union is:

(a) Below 1000, the number of outsiders should not be more than 10 per cent

(b) Between 1000 and 10,000, the number of outsiders should not be more than 20 per cent.

(c) Above 10,000, the number of outsiders should not be more than 30 per cent

(d) The permissible limit for industry-wise unions should be 30 per cent.

Union Finances

Unions often depend on political funds. Another hurdle in the success of collective bargaining in India is the absence of a compulsory 'recognition' provisions in the Act.

Impact of the Recognition of Bargaining Agent in Collective Bargaining

In view of the prevailing multi-trade unionism in India, recognition of a bargaining agent has assumed importance. Unfortunately, there is no provision either in the Indian Trade Unions Act 1926 or in the Industrial Disputes Act 1947 for a bargaining agent; no attempt has been made at the national level to either lay down a procedure for recognition of trade unions as bargaining agent or work out a procedure. The Government of India proposed an amendment in the Trade Unions Act in 1950 making recognition of unions compulsory. The Standing Labour Committee in its 18th session and the National Commission on Labour favoured a statutory provision for the purpose but their recommendations have yet to be accepted. The National Commission on Labour attached considerable importance to the matter of recognition of unions and observed as under:

> 'Industrial Democracy implies that the majority union should have the right to sole representation i.e., the right to speak and act for all workers and enter into agreements with the employer (Report of the National Commission on Labour, (1969) p. 329).

In the absence of statutory provision, the matter is regulated by the Code of Discipline which was evolved at the Nainital session of Indian Labour Conference in 1952. The Code of Discipline provides for verification of trade union membership by the Central Industrial Relations Machinery of the Government. Its voluntary character has however, made it ineffective and has been difficult to implement it in view of statutory provisions

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Workers' Participation in Management at TISCO

After several years of study and discussions with the recognized unions in 1997, Tata Iron and Steel Company at Jamshedpur set up three-tier machinery for consultation.

I. Joint Departmental Councils
II. Joint Works Councils
III. Joint Consultative Council of Management

The Joint Departmental Council operates at the level of every department or a combination of two or more departments. The Joint Works Council is for the entire works, and coordinates the activities of the Departmental Councils. Parallel to the Joint Works Councils there is a joint town and medical council for dealing with matters relating to the township, medical, health and education matters (including those of TELCO). The Joint Consultative Council of Management is at the top. It is entrusted with the task of advising the management on all matters concerning the working of the industry in relation to production and welfare. As a safeguard against he overlapping of the functions of the joint councils and the collective bargaining machinery the role of the joint councils has been streamlined. The functioning of the joint councils is further reviewed in consultation with the Trade Union from time to time.

The government is committed to workers' participation in the management but this would take shape on the basis of consensus among industrialists, workers' organisations and the government. Dr Sahib Singh

Dr Sahib Singh, the then Union Labour Minister, said that Government was committed to workers' participation in the management but this would take shape on the basis of consensus among industrialists, workers' organizations and the government. Dr. Singh was speaking at the inauguration of a one-day Workshop on Participation of Workers in Industry with a special focus to discuss the Tata Iron and Steel Company (TISCO) Model at V.V. Giri National Labour Institute at Noida today. The Minister underlined the point that industrialists invest their money into industrial ventures, whereas labourers put in their life and labour into it. Therefore, any industrial venture can grow only on the basis of mutual trust and sharing of concerns. It is, therefore, imperative that every worker has the right to participate in the decision-making in the industry and the modalities should be discussed among the social partners in the process. He said the Ministry had already taken up serious discussions on it with industrialists and the workers' organizations. He also stated that industrial democracy needed a consensus. Dr. Singh also mentioned that the industry was passing through a bad patch of recession but with more integrated decision-making among workers and the owners of the industry, the better industrial environment would be created and this would lead to industrial progress.

The Secretary in his address said that there are many models of workers' participation in the decision-making relating to technical matters; employment and personnel matters; economic and financial policies; and general policies. These models may take the form of structural arrangements, functional arrangements and jurisdictional schemes. He also lauded the Japanese model of participation through joint management councils where workers inputs are taken on the matters relating to their operational difficulties and other matters of vital interests. Shri Udai Kumar Verma, the Director of the Institute in his inaugural address underlined the point that in order to generate cordial industrial relations between the employers and the employees, the workers' participation in the decision-making becomes a sine qua non in the era of global competition. The solutions may vary, the approaches may be diverse and the formulations may be different but we will have to work on the consensus to arrive at the possible solutions.

TISCO is today one of the most efficient steel producer in the world where, there has neither been any labour strike since 1928, nor a case of assault or theft. The concept of working together in TISCO was conceived in 1956 and was implemented since 1958. The core of the process is based on the recognition of co-determined decision-making wherever the interest of the worker is concerned. There are 56 joint departmental councils with rotating partnership, some of them relate to welfare, production, safety, health, education and civil life, etc.

in the Industrial Dispute Act. At present, even public sector undertakings do not follow the Code of Discipline and often bargain with more than one union.

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Multi-unionism

Political orientations of trade unions are the primary reason for multi-unionism. Communal sentiments, provincial feelings and caste are the other major causes of multi unionism.[9] Our labour legislation also permits multi-unionism but the presence of too many unions in an industry destroys the bargaining strength of workers.

COLLECTIVE BARGAINING IN THE INDIAN CONTEXT

In India, like many other countries, collective bargaining got an impetus from various statutory and voluntary provisions. The Trade Disputes Act 1929, the Bombay Industrial Relations Act 1946, the Industrial Disputes Act 1947, and the Madhya Pradesh Industrial Relations Act 1960, provided machinery for consultation and paved the way for collective bargaining. Among the voluntary measures, the different tripartite conferences, joint consultative machineries, code of discipline, and Central and State Implementation and Evaluation Units were significant.

In India, collective bargaining was not very popular till the end of the Second World War. However, there had been a few instances where wages and working conditions were regulated by collective agreements even earlier. Collective bargaining agreements have been concluded at three levels – at plant level, industry level, and national level.

Collective bargaining was traditionally conducted at the plant level as in the case of TISCO, Indian Aluminium Company, and Bata Shoe Company. In some industrial units, detailed grievance procedures have been laid down by mutual agreements.

The best example of an industry-level agreement is offered by the textile industry of Bombay and Ahmedabad. The agreement between the Ahmedabad Millowners' Association and the Ahmedabad Textile Labour Association, which were signed on 27th June 1955, laid down the procedure to be followed for the grant of bonus and the voluntary settlement of industrial disputes. The practice of industry-wise bargaining continues to prevail in the cotton textile industry in Maharashtra, Gujarat, and Tamil Nadu; in Jute Textiles and in the plantation industry in Karnataka, Tamil Nadu, and West Bengal. In most other industries, particularly in modern industry groups, collective agreements are entered into at the plant or enterprise level.

The agreements at the national level are generally bipartite agreements and are finalized at conferences of labour and management convened by the Government of India. The bonus agreement for plantation workers was concluded in January 1956 between the representatives of the Indian Tea Association and the India Tea Planters' Association on the one hand, and the Hind Mazdoor Sabha (HMS) and the Indian National Trade Union Congress (INTUC) on the other. The agreement was about the payment of bonus to about one million plantation workers.

COLLECTIVE BARGAINING IN PUBLIC SECTOR

There is hardly any qualitative difference between the collective bargaining techniques adopted by the workers in the public sector enterprises and their counterparts in the private sector. The only major difference in the public sector is 'who do the trade unions negotiate with'? The owner of the enterprise is the government and the manager is as much as an employee as any worker and is bound by a whole set of rules and regulations

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Productivity Bargaining

Productivity bargaining has been described as 'an agreement in which advantages of one kind or another, such as higher wages or increased leisure, are given to workers in return for agreement on their part to accept changes in working practices or in methods or in organization of work which will lead to more efficient working'. The prime purpose of productivity bargaining is to raise labour productivity and lower unit labour costs. It aims at improving labour productivity, not so much by requiring workers to make greater efforts, but by eliminating the impediments to higher productivity.

Productivity bargaining involves detailed negotiations about the implementation of a variety of management techniques such as work-study and job evaluation. It generally occurs at the level of the enterprise or company and covers almost all employees. The significance of productivity bargaining is three-fold:

(a) First, it seems to be more successful in tightening of the pay-productivity link within organizations.

(b) Second, it is argued that it opens a whole new source of untapped productivity potential within an enterprise.

(c) Third, it provides potential opportunity for improving the climate of negotiation between management and trade union at company or organizational level.

The productivity agreements, which are generally developed by the management and internal union of office bearers and shop floor representatives, leave no meaningful role for the outside union officials. The success of a productivity agreement will depend upon how well the workers understand the principles and objectives of the company. There should, therefore, be a communication structure whereby this understanding and cooperation are secure. There should be departmental and plant-wide productivity committees to review the overall progress of production, and make suggestions for removing the hurdles for achieving higher efficiency.

and unable to take any decision in the area of industrial relations. Further, the accumulation of unattended individual grievances deteriorates the atmosphere for collective bargaining.

In the public sector, there are links between the political process and unionism; here, conditions are ripe for macroeconomics of populism, the attempt to use macroeconomic policy tools for redistribution of income. The political system is seen as an agent for delivering economic outcomes.

Productive Agreements

There are a number of industries in India, which have signed productivity agreements. Many agreements begin with productivity, work culture, and the role to be played by the union and the management. The productivity-linked wages settlement by Southern India Textile Association is a unique example of joint agreement of systematic assessment of workloads and the principle of sharing by workers of 50 per cent of the savings by the total category of basic workers. Thirty mills were party to the agreement. The agreement that Bajaj Auto entered into is as follows:

"The Union and the Company agree that in view of the increased competitive environment in the domestic and global markets, the company can survive, let alone prosper, only by gaining competitiveness and improving levels of production, productivity and ensuring better quality in all its operations and activities by means of maximum utilization of plant, machinery, equipment, human and other resources at its disposal. Therefore, both parties agree to achieve higher output and man/machine utilization by continuously reducing cycle time, work simplification, up-to-date maintenance, upkeep of machines and tools, gauges, fixtures, reduction in consumption of consumables and energy, and by use of improved and latest technology. The Union and the Company also agree to ensure continuous improvement in productivity and quality in all operations of the company."

"The Union agrees that the Company will continue to conduct time studies to decide the rate of production (output rates) and all workmen shall give the production as per the output rates fixed by the Company. The Union also agrees that these output rates may change from time to time, depending on changes in work methods, raw material, jigs, fixtures, etc."

All the above provisions indicate that both, managements and workers are aware of the changed economic environment and the need for working together to enhance productivity." (Report of the Second National Commission on Labour, pp. 1404–1406)

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In the public sector, the issues taken up for collective bargaining include revision of wages and pay scales, dearness allowance, house rent and other allowances, loans and advances, medical and residential facilities, welfare measures and service conditions.

The following features characterize the collective bargaining scenario in the public sector:

1. The Government created a special body called the Bureau of Public Enterprises (BPE), which issues guidelines to enterprise managements on a host of matters concerning the management of an enterprise, including all aspects of personnel and industrial relations. It also provides guidelines on financial commitments arising out of collective agreements. Invariably, draft agreements between management and union(s) have to be sent to the BPE for approval with or without modifications. Obviously, the delays in processing collective agreements through the BPE undermined the role of enterprise management in collective bargaining.
2. Core sector industries like steel, coal, and ports and docks are characterized by nation-cum-industry-wide bargaining. The steel agreement also covers the Tata Iron and Steel Company, a private sector unit. There is one National Joint Committee for the Steel Industry (NJCS), which enters into an agreement once in three or four years with respective unions of the plants.
3. The public sector is engaged in a wide variety of economic, industrial and trading activities. Some are high-tech and capital intensive (e.g., computers, electronics, and petrochemicals), while others are labour intensive (coal for instance). Yet, over the years the government has been insistent upon

Social Dialogue

What is Social Dialogue?

Social dialogue is defined by the ILO to 'include all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy. It can exist as a tripartite process, with the government as an official party to the dialogue or it may consist of bipartite relations only between labour and management (or trade unions and employers' organizations), with or without indirect government involvement. Social dialogue processes can be informal or institutionalized, and often it is a combination of the two. It can take place at the national, regional or at enterprise level. It can be inter-professional, sectoral or a combination of these'.

Goals of Social Dialogue

The main goal of social dialogue is to promote consensus-building and democratic involvement among the main stakeholders in the world of work.

The Enabling Conditions of Social Dialogue

For social dialogue to take place, the following must exist:

- Strong, independent workers' and employers' organizations with the technical capacity and the access to relevant information to participate in social dialogue;
- Political will and commitment to engage in social dialogue on part of all the parties;
- Respect for the Fundamental Rights of freedom of association and collective bargaining; and
- Appropriate institutional support

The Role of the State in Social Dialogue

The State is responsible for creating a stable political and civil climate, which enables autonomous employers' and workers' organizations to operate freely, without fear of reprisal. Even when the dominant relationships are formally bipartite, the State has a role in providing essential support for the process through the establishment of the legal, institutional and other frameworks which enable the parties to engage effectively.

Social Dialogue and the ILO

The ILO aims to assist member States in establishing or strengthening legal frameworks, institutions, machinery or processes for bipartite and tripartite social dialogue in member States. It also aims to promote social dialogue among member States and regional or sub-regional groupings as means of consensus building, economic and social development, and good governance.

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a measure of uniformity in base wage/salary levels and fringe benefits in the entire public sector, irrespective of the nature of industry.

4. Earlier in the public sector, the emphasis was on greater parity across sectors and on reducing the gap between the lowest and the highest paid employees. Now the gap is widening. Over 100 out of about 240 public sector companies have not had pay revision since 1992. There is also a trend towards the centralization of collective bargaining in key sectors, which tends to reduce the power of unions, but makes pay more aligned to enterprise performance.

EMERGING ISSUES IN COLLECTIVE BARGAINING

In days to come, the union and management are set to face many substantive and procedural issues in collective bargaining. Some of the issues can probably be handled at the bargaining table by using existing structures and strategies while others may require new methods.

Wage Bargaining

Wages will remain at the centre stage of future contract negotiations because the size and security of income will continue to be of vital importance to workers.

Women's Issues

The explosive growth in the number of women employees may give rise to fresh challenges to both, employers and unions to squarely face the particular concerns and problems of females on-the-job. This process has been going on for some time now but will probably accelerate in the future as women become firmly and permanently entrenched in the labour force and in the unions. Women issues will figure more and more in future collective bargaining.

Job Security

The potential loss of jobs due to technological change has always been a major concern for the unions. Use of automation and computers will expand as Indian companies attempt to increase productivity and remain competitive in domestic and international markets. This will continue in the future and may even accelerate the collective bargaining process.

Productivity

Time has come, according to many economists, for the unions to be vitally concerned with productivity and to realize that employee welfare is tied directly to the success of the enterprise and industry. At the same time, management must recognize that an increase in productivity needs co-operation of the employees and the union. In short, what is needed in collective bargaining is re-approachment between the union and management that recognizes the necessity of co-operation to raise productivity.

Technological Change

The management cannot expect workers and their unions to moderate their wage demands and attitude toward technological change unilaterally. As in every constructive collective bargaining situation, there must be a

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give and take. Further, society cannot expect labour to bear the full cost of technological change. It is true that workers will ultimately benefit from a competitive product, but so will the management, stockholders, and the consumer. It is fair that all parties bear some of the cost. In Japan and some European countries, technological change is not normally opposed because jobs are guaranteed.

Quality of Work Life (QWL)

The issue of quality of work life is related to the need for organized labour and the management to work co-operatively to achieve greater productivity. The attention now being paid to the QWL reflects the growing importance being attached to it. It is apparent that a substantial number of employees are unhappy with their jobs and are demanding more meaningful work with noth, economic and non-economic benefits from their jobs. The importance of non-economic rewards is increasing relative to the importance of economic ones, especially among white-collar and highly educated employees. People do not want to be just a cog in the wheel and are demanding greater control and involvement in the jobs. QWL experiments will continue in the years ahead and may eventually provide some impetus to the collective bargaining across countries.

WORKERS' PARTICIPATION AND INTERNAL DEMOCRACY

When workers participate in the decision-making process, they can get more involved in the organization and their work conditions. This leads to:

(a) Effective utilization of human resources of the enterprise

(b) Encouragement of cooperative attitude and reduction of conflicts

(c) The social responsibility of an enterprise. The attempt here is to reconcile the form of control of the enterprise with its social responsibilities, for example, the enterprise may be restructured so as to give representatives of various interests, including those of workers, more say in its operations.

Workers' participation in the management, as a concept and practice, dates back to year 1910 in India, when there was an informal system of consultation between the management and trade unions in the cotton textile mills. It has been varyingly understood and practiced as a system of a joint consultation in industry, as a form of labour management cooperation, as recognition of the principle of co-partnership, and as an

Workers' Councils in Yugoslavia

Yugoslavia's workers' councils are of great interest as these provided direct participatory opportunities within small and proximate units. These councils gave an opportunity to citizens to take part in decisions about an aspect of their lives which they understood best.

Each small unit was a self-managed entity, financially and commercially independent. Workers were allowed to attend general meetings and elect and serve on work councils. The councils were elected bodies that formulated business policy and plans, made investments and borrowing decisions, approved accounts and gave final approval to directors and management boards. However, the decisions were heavily influenced by enterprise directors appointed by League of Communist Party of Yugoslavia.

Workers' councils made self-management agreements and social compacts. These agreements were binding contracts among self-management organizations in the social sector; these were enforceable in courts if a party failed to fulfill its obligations. Social Compacts specified criteria about distribution of income, foreign trade relations, employment policy and were written among basic organizations, communities of interest, government and trade unions.

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Six Necessary Components for Successful Programmes on Workers' Participation in Decision-making

- Workers must have an increased degree of power vis-a-vis management regarding various levels of decision-making in the company.
- Workers must have access to and share management-level information. If employees are to make decisions on the issues that go on in areas outside their normal jobs, they will need information such as engineering reports and company's economic information that was previously only available to accounting or finance departments. A corollary to this component is that workers must be trained to understand and use this information in a correct and effective manner.
- A guaranteed right of protection from reprisal for employees who voice criticisms of management.
- An independent board of appeals to settle disputes between labour and management (grievance procedure).
- A participatory/democratic consciousness or a set of beliefs and traits among the workforce and management that includes worker participation in decision-making. The belief that workers have the ability to make good decisions or a strong feeling of self-reliance is two such traits.
- A guaranteed economic return on cost savings or surplus produced above the employee's regular salary. This sometimes is labelled as 'gain sharing'.

instrument of industrial democracy. Consequently, participation has assumed various forms varying from mere voluntary sharing of information by the management with the workers to formal participation by later in the actual decision-making process of the management.

Elements of Participation

The term 'participation' has different meanings for different purposes in varying situations. McGregor is of the view that participation is one of the most misunderstood ideas that has emerged from the field of human relationship. Keith Davis has defined participation as 'mental and emotional involvement of a person in a group situation, which encourages him/her to contribute to a group goal and share responsibilities'. This definition focuses on three important elements:

- Mental and emotional involvement is required rather than mere physical activity.
- Participation must motivate a person to contribute to a specific situation to invest his own resources in the form of initiative, knowledge, creativity and ingenuity the objectives of the organization.
- It encourages people to share responsibility for a decision or an activity. Sharing of responsibility commits people to ensure the success of the decision or activity.

Objectives of Workers' Participation

The scope and extent of worker participation depends upon the objectives set by the organization. As such, forms of participation differ from country to country because of the differences in the political, social and economic environment of that specific country. In India, the main objective of workers to participate in management is to achieve security of employment, better wages, bonus, etc. whereas employers' interest in participation is to maximize the profits, and the government considers it as a means to increase productivity and as a part of dispute-resolving machinery. It is mainly viewed as a means of information sharing concerning balance sheet, production, economic condition of the plant and a process of consultation on certain matters such as welfare programs, safety and methods of work.

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Work Councils in Germany

The possible powers of works councils are best illustrated by the example of Germany. Weiss (DETAILS) describes the works council in Germany as a 'form of institutionalized representation of interests for employees within an establishment'. A works council enjoys rights to information, consultation (as in all countries) and co-determination (rare). As the most far-reaching form of participation, co-determination covers participation in arrangements on health and safety at work and the formal adoption of a reconciliation of interests and a 'social plan' in the event of a substantial alteration in the establishment, such as a plant closure.

Co-determination rights also extend to guidelines for staff selection and appraisal, in-service training and measures affecting individual workers such as grading, transfer and dismissal.

The German works council is empowered to conclude works agreements at the enterprise level and can initiate complaints where it believes the agreement is not being honoured. Included in the areas of obligatory collective co-determination are accident prevention and health protection, works rules, working time, the fixing of performance-related pay rates, the manner of payment, general principles governing holidays and other matters. On these issues, the employer cannot take action without the works council's agreement.

As Weiss characterizes it, the works council's role is "participating in the `how' after the employer has made a decision on the `whether'." The right to consultation affords the works council a chance to play a part in the decisions made by the employer, but failure to consult will not invalidate the decision. The subjects on which consultation is required include protection against dismissal, protection against technical hazards, training and preparation of a social plan.

Work Councils

The term 'works councils' describes arrangements for the representation of employees, usually at the plant level, although they also exist at higher levels. Extensive use of works councils sometimes called workers' committees, cooperation committees or otherwise, is well established in a number of European countries, such as Belgium, Denmark, France, Germany and the Netherlands.

Quality Circles

Quality circles and other similar group activities were rapidly introduced in a large number of enterprises in some Western European countries at the start of the 1980s and in the United States a little earlier. They built upon 'Quality of Working Life' (QWL) or 'Humanization of Work' programmes that began in the early 1970s. They later spread to other Western countries (e.g., Germany) and still seem to be very limited in countries such as Sweden where joint project groups are the predominant means of dealing with work organization. They were stimulated by a belief that Japan's ability to produce innovative and high-quality products at low cost was to do with the way human resources were managed in that country; quality circles were the most visible and easily transplantable feature of Japanese human resource management. Quality circles are generally expected to produce two types of effect: one is the enhancement of quality and productivity and the other is the fostering of a sense of participation in work-related decisions among workers, leading to increased job satisfaction and better industrial relations. In Japan the emphasis was more on the first aspect and in Europe and North America on the second. There are also structural differences—while circle leaders are normally appointed by the management in Japan, in Germany, they are often elected. Today, the emphasis of QWL programs is more on enhancing productivity and competitiveness.[10]

In some countries where quality circles were experimented with widely in the 1980s, such as France and the United Kingdom, there has been certain disenchantment with their relative ineffectiveness in producing the expected results. Many circles disappeared a few years after their creation; many others exist on paper,

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but are in fact moribund. The failure has been attributed to many factors—their tendency to create confusion in the normal lines of command, non-management control over membership, circles determining their own agenda without heed for management priorities, lack of enthusiasm or hostility on the part of the middle management, absence of durable commitment on the part of top management and restriction.

SUMMARY

Collective bargaining is the process whereby the workers organize to negotiate the conditions regarding their employment. It is a tool by which workers can improve their working conditions. In this chapter, first collective bargaining has been introduced. Thereafter, it has been discussed how collective bargaining in India has shifted emphasis from just wage-related issues to 'quality of work life' issues.

KEY TERMS

Collective bargaining
Composite bargaining
Concession bargaining
Enterprise bargaining
National/industry-level collective bargaining
Work councils
Workers' participation in management
Quality circles

REVIEW QUESTIONS

1. Define collective bargaining. Explain its role.
2. Write a short essay on the approaches to collective bargaining.
3. What are the essential features and prerequisites of collective bargaining?
4. What are the uses of collective bargaining? Why does the government want to support it?
5. State the methods of bargaining and explain the advantages and disadvantages of each method. What is the importance of an external agent in bargaining?
6. Write an essay on social dialogue.
7. Write a note on collective bargaining in India. How does the public and private sector bargaining differ?
8. Write a note on emerging trends in collective bargaining.
9. Write short notes on:
   (a) Workers participation in management
   (b) Work councils
   (c) Quality circles

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CHAPTER FIFTEEN 15

Employee Discipline and Grievance Handling Procedures

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

- Meaning, purpose and nature of discipline
- Kinds of problems that result in indiscipline
- Approaches to discipline
- Sources of disciplinary rules
- Grievances and grievance procedures
- Employees' health and safety

SOMETHING IS NOT RIGHT

Harish walked into the office at Modi Steels, Modinagar, but told the transport pool in-charge not to tell anyone about his presence. Harish was the superintendent of the Modinagar office. He had been with company for more than 23 years, having started out as a junior layman.

Harish had heard that one of his section bosses, Satish, who had been hired two months earlier, had been sleeping on the job. After being posted at the Modi Steels office at Modinagar by the human resource office, he went to work as section boss, working from midnight to 8 am shift. With his age and experience, he was the senior person on his shift.

Harish used a battery-operated jeep, which transported workers and supplies to and from the mine, and proceeded to the area where Satish was posted. On arriving there, he saw Satish lying on an emergency stretcher. Harish stopped a few yards away from where Satish

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was sleeping and approached him saying, "Hey, you asleep?" Satish awakened with a start and replied, "No, I wasn't sleeping".

Harish waited for a moment for Satish to collect his senses and then said, "I could tell that you were sleeping. But that is beside the point. You were not at your workstation. You know that I have no choice but to fire you." After Satish had left, Harish called the supervisor, who had accompanied him to the dispatcher's office, and asked him to complete the remainder of Satish's shift.

The next morning, Harish had the Mine Human Resource Officer officially terminate Satish's contract. As part of the standard procedure, the Human Resource Officer notified the Director that Satish's services have been terminated and gave him the reasons for this step. The Human Resource Director then spoke to Harish: "You know that Satish is the brother-in-law of our Vice-President, Ashok Goyal?" "No, I didn't know that", replied Harish, "but it does not matter. The rules are clear, and I would not care if he was the regional Vice President's son."

The next day, the Human Resource Director showed up at the office just as Harish was to set out on a routine tour of the office. "I guess you know that what I am here for," he said. "Yeah, you are here to take away my authority," replied Harish. "No, I am just here to investigate," said the Human Resource Director.

When Harish returned after his tour, the human resource director had finished his interviews. He told Norman, "I think we're going to have to put Satish back to work. If we decided to do that, we can let him work for you?" "No, absolutely not," said Harish. "In fact, if he works here, I go." A week later, Harish learned that Satish had gone back to work as section boss at another consolidated office.

Discipline is the key to success and is positively related to performance. It is the bridge between goals and accomplishments. Effective discipline should be aimed at the behaviour, and not at the employee's personality. Theodore Roosevelt had said "With self-discipline almost everything is possible". Self discipline makes employees realize what is required at work. This is because the reason for discipline is to improve performance rather than punishing the employee.

W.R. Spriegel and Edward Sohelge defined discipline as follows: "Discipline is the force that prompts an individual or groups to observe rules, regulations and procedures that are deemed necessary to the attainment of an objective."

According to Micheal J. Jucious: "Discipline used as a noun and preceded by the objective 'good' means that the workers winningly abide by company rules and executive order. To set right the indiscipline or improve its causes provided punishment provisions are known as discipline." According to Richard P. Calhoon: "Discipline may be considered the force that prompts individuals or groups to observe rules, regulations, standards, and procedures deemed necessary for an organization." Ordway Tead defines it as 'an orderly conduct of affairs by the members of an organization who adhere harmoniously in forwarding towards the end which the group has in view, and willingly recognize that, to do this, their wishes must be brought into reasonable unison with the requirements of the group in action.'

Therefore, discipline means securing consistent behaviour in accordance with accepted norms. In an organization, discipline may be described as willing cooperation and observance of the rules and regulations of the organization by the management and the workers.

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NATURE AND PURPOSE OF DISCIPLINE

Objectives of Discipline in Industry
1. To get voluntary acceptance
2. To develop adjustments
3. To provide direction
4. To arouse endurance and cooperation
5. To instigate respect for humanity
6. To increase morale efficiency

In his work, Megginson has stated that discipline in industry involves three things, viz. self-discipline, orderly behaviour and punishment.

Self-discipline implies that a person disciplines himself/herself to achieve his/her goals. Orderly behaviour, on the other hand, refers to a condition that must exist for order in the organization. Punishment is often used to a remedial tool to prevent repletion of the mistake and for others to know the repercussions of a disorderly behaviour or deviation from accepted norms.

The purpose of discipline at work is to change behaviour. If employees behave in a manner that exhibits that they have no intention of being bound by the contract of employment, then the employer can regard the contract as broken. The employer then has the right to take disciplinary action. It is the responsibility of the manager or employer to offer an opportunity for improvement and to help the employee progress.

PRINCIPLES OF DISCIPLINE

Discipline should be based on sound principles, as listed below.

1. **Code of conduct** The organization should lay down a proper code of conduct, with rules and regulations that are prepared with the consent of both the parties. Notification of the code of conduct that may result in discipline should be widely distributed and notified. Actions that lead to misconduct can be listed and documented so the employees are aware of such actions. Effective discipline requires accurate, written record-keeping and written notification to the employees.
2. **Centralization of discipline** Centralized means that the discipline decisions should be uniform throughout the organization. Any breach of code of conduct should be punished impartially. The greater the uniformity, higher will be the effectiveness of discipline procedure.
3. **Responsible person** Responsibility for disciplinary action should be in the hands of a responsible person who may give order to subordinates. Supervisors and managers need to be trained on when and how discipline should be used.
4. **Full knowledge of rules** Workers should have full knowledge of the rules and administration. It should be clear as to which punishment is applicable for violation of the rules. The employer should define the penalties and other actions like warnings, reprimands, discharge and dismissal well in advance.
5. **Preventive measures** The management should exercise the preventive approach to maintain discipline.
6. **Review of discipline decisions/appeal** The person against whom disciplinary action is taken should have the right to appeal to higher officials if he/she feels aggrieved. The disciplinary decisions must be reviewed before being implemented. This will ensure uniformity and fairness of the system and will minimize the arbitrariness of the disciplinary system.

Principles of Discipline
1. Code of conduct
2. Centralization of discipline
3. Responsible person
4. Full knowledge of rules
5. Preventive measures
6. Review of discipline decisions/appeal
7. Natural justice
8. Prompt action
9. Instrument of progress
10. Confidential proceedings
11. Impersonal discipline
12. Flexible and consistent discipline

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7. **Natural justice** The principle of natural justice should be followed where the accused should have a fair chance of hearing and only then should any action for indiscipline be taken.
8. **Prompt action** It is said that 'justice delayed is justice denied', therefore, the accused employees should get their decision promptly. There is no effective control on accusation punishment if decisions are delayed. The effective discipline should be immediate.
9. **Instrument of progress** Discipline system should be progressive in nature. In a progressive discipline approach, the severity of actions to modify behaviour increases with every step as the employee continues to show improper behaviour. The advantage of this approach is that employees can't take it for granted.
10. **Confidential proceedings** Disciplinary proceedings should be confidential and not in the presence of other persons. Otherwise, employees lose faith and respect of higher officials.
11. **Impersonal discipline** Discipline should be handled impersonally. Managers should try to minimize ill-feelings arising out of decisions by judging only the offensive behaviour and not by judging the person. Managers should limit their emotional involvement in disciplinary sessions.
12. **Flexible and consistent discipline** The manager administering discipline must consider the effect of actions taken by other managers and of other actions taken in the past. Consistent discipline helps to set limits and informs people about what they can and cannot do. Inconsistent discipline leads to confusion and uncertainty.

PROBLEMS THAT RESULT IN DISCIPLINARY ACTION

There are four kinds of problems that are usually faced by a manager, which sometimes result in termination of employment:

(a) Inefficiency
(b) Sickness and unavoidable personal problems
(c) Cumulative discipline problems
(d) Immediate discipline problems

Inefficiency

Inefficiency is the incapacity of the subordinate to perform up to the required standard. Usually, this problem is for the immediate superior or supervisor to tackle before any disciplinary action can be initiated. Only when these have failed to improve the performance of the individual and the possibility of transferring the person to a more suitable job has been exhausted, should discipline procedure be instituted.

Sickness and Unavoidable Personal Problems

This is usually undertaken when the employee either is not finding job interesting and challenging, or is socially not being accepted in the workgroup, or is genuinely sick or has family problems. The first step in such cases is to investigate the problem through sick visiting or counselling/ interview. It is important to ask whether the employee whether he/she is

Common Causes of Indiscipline

The common cause of indiscipline could be as follows.

Unfair Management Practices Management sometimes indulges in unfair practices which result in indiscipline, some of which are

- Wage discrimination
- Non-compliance with promotional and transfer policies
- Discrimination in allotment of work
- Defective handling of grievances
- Payment of low wages
- Low quality of life being provided

Absence of Effective Leadership Poor and ineffective leadership results in poor management in the areas of direction, guidance, etc.

Communication Barriers Lack of information is the single-most important cause of frustration.

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likely to return to job. Disciplinary action to be initiated depends upon the length of the absence and the needs of the work.

Symptoms of General Indiscipline
- Change in normal behaviour
- Absenteeism
- Increased grievances
- Lack of concern for performance
- Going slow
- Disorderly behaviour

Cumulative Discipline Problem

This is a peculiar case in which the employee is a habitual offender. The immediate supervisor should counsel and interview the employee and only then set the disciplinary proceedings into motion. The process of disciplinary action would be as per the policy practised.

APPROACHES TO DISCIPLINE

Dale Yoder states, "Discipline is to regulate human behaviour through reward and punishment." The statement stresses upon two aspects—positive and negative. Thus, broadly defined, there are two approaches to discipline employees. They are positive, negative and progressive.

Positive Discipline Approach

It is an arrangement where workers are motivated to work for and are eager to obey and abide by the rules. It is mental action to influence the mind of the workers in such a way that they have faith and esteem for the organization. Positive discipline has a deep connection with the human relations aiming reaction.

Spriegel states, "Positive discipline does not re-establish the comprehension but brings it to use for the completion of a general objective. It does not obstruct a person, but makes him suitable to get more freedom without any extra formality. Positive discipline instigates effective co-operation; it depends on the proper acceptance by workers of an efficient management and supervisors' efficiency. It is a voluntary effort by workers and the management (Table 15.1). Positive discipline promotes cooperation and coordination with a minimum of formal organization. It reduces the need for strict supervision required to maintain standards and observe rules and regulations.

Negative Discipline Approach

Negative discipline describes a way to reduce undesirable behaviour, and increase desirable behaviour by punishing the negative rather than rewarding the positive. Therefore, it describes an action that is introduced after an undesirable behaviour so that such actions will not be repeated in the future. Negative Discipline is based on the premise that behaviour that is punished is behaviour that will be reduced (Table 15.1).

TABLE 15.1 Difference between Positive and Negative Discipline Approaches

	Positive Discipline	*Negative Discipline*
Concept	It is adherence to established norms and regulations, out of fear of punishment.	It is the creation of a conducive, climate in an organization so that employees willingly confirm to established rules.
Conflict	Employees do not perceive corporate goals as their own.	There is no conflict between Individual and organizational goals.
Supervision	It requires intense supervisory control to prevent employees from going off the track.	Employees exercise self-control to meet organizational objections.

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Progressive Discipline Approach

Progressive discipline is a process for dealing with job-related behaviour that does not meet expected and communicated performance standards. The primary purpose for progressive discipline is to help the employees understand that a performance problem or opportunity for improvement exists. The process includes increasingly formal efforts to provide feedback to the employees so that they can correct the problem. Therefore, the goal of progressive discipline is to improve employee performance.

The process of progressive discipline is not intended as a punishment for employees, but to assist them to overcome performance problems and satisfy job expectations. Progressive discipline is most successful when it assists an individual to become an effectively performing member of the organization.

It enables organizations with substantial documentation to terminate the employment of employees who are ineffective and unwilling to improve.

Typical steps in a progressive discipline system may include these:

- Counsel the employee about performance and ascertain his/her understanding of requirements
- Verbally reprimand the employee for poor performance
- Provide a written verbal warning in the employee's file, in an effort to improve performance.
- Provide an escalating number of days in which the employee is suspended from work. Start with one day and escalate to five.

CODE OF DISCIPLINE IN INDUSTRY

To maintain harmonious relations and promote industrial peace, a Code of Discipline has been laid down which applies to both, public and private sector enterprises. It specifies various obligations for the management and the workers with the objective of promoting cooperation between their representatives.

The basic objectives of the code of discipline are to:

- Maintain peace and order in industry.
- Promote constructive criticism at all levels of management and employment.
- Avoid work stoppage in industry.
- Secure the settlement of disputes and grievances by a mutually agreed procedure.
- Avoid litigations.
- Facilitate a free growth of trade unions.
- Eliminate all forms of coercion, intimidation and violations of rules and regulations governing industrial relations.

The Code is based on the following principles:

- There should be no strike or lockout without prior notice.
- No unilateral action should be taken in connection with any industrial matter.
- Employees should follow 'go slow' tactics
- No deliberate damage should be caused to plant or property
- Acts of violations, intimidation and coercion should not be resorted to
- The existing machinery for the settlement of disputes should be utilized
- Actions that disturb cordial relationships should be avoided.

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Factors Driving Code of Conduct

The Code of Discipline and Conduct communicates to the employees, the expected behaviour and professional responsibilities. Its significance is that each employee should behave and perform in a way that preserves the company's values and commitments. The Code expects employees to conduct business with integrity and honesty. Moreover, it expects the employer to be an equal opportunity employer.

The Code of Conduct policy of a company is determined on the basis of the following factors:

1. **Honesty and integrity:** The organization expects employees to observe honesty and integrity and such conduct should be fair and transparent. The employees should show truthfulness in actions throughout their tenure in the organization.
2. **Disclosure of information:** The employees should not disclose company information to third parties and other organizations. However, the employers should reveal the various policies of the organization to their employees and make them aware about the code of conduct and other policies.
3. **Harassment:** The work environment should be free from all kinds of harassments, especially sexual harassments and verbal harassments. No physical harassments like hitting or pushing are acceptable on part of the employees.
4. **Outside employment:** Employees should not indulge in any kind of concurrent employment without the prior knowledge of the employer.
5. **Conflict of interest:** An employee should not indulge in other professions or services or other interests which might conflict with the interests of the company. This means personal interests should not overshadow organizational interests.
6. **Confidentiality:** Employees should protect the company's confidential information. The financial records and unpublished data should be kept within the organizations and should not be spread outside the organization.
7. **Equal opportunity employer:** This factor expects the employer to get an equal opportunity, that is, no discrimination should be done on the basis of caste, colour, race, gender, religion or physical disabilities.
8. **Misusing company resources:** Employees should not misuse company resources, intellectual property, time and other facilities. These are provided for business purposes and thus, should be used in a cost effective way.
9. **Health and safety:** An employer should provide a safe and healthy work environment to the employees, which includes proper cleanliness, adequate light. A health and safety committee consisting of representatives of workers as well.
10. **Payment and gifts:** Employees should neither accept nor offer any kind of illegal payments, donations, remuneration and gifts from outsiders.

Sources of Disciplinary Rules

1. Legislation
2. Case laws
3. Collective agreements
4. Arbitral decisions
5. Works committee
6. Unilateral personnel policies
7. Employment contracts
8. Other sources

Source: Mankidy, J., Murugavell, A., Gatchalian, J.C. and Gonzales, B.C., *Disciplinary rules and procedures: India, Malaysia, Philippines* (Occasional paper/ Labour Law and Labour Relations Programme)

SOURCES OF DISCIPLINARY RULES

There are a large number of sources under which the rules and regulations governing the employees' discipline can be formulated.

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Legislation

Historically, governments have played dominant roles in bringing in regulations to maintain peace and harmony in industry. There has been a gradual emergence of a body of principles governing disciplinary matters as a result of various decisions of the labour courts, industrial tribunals, civil courts, conferences, international laws and usages. In India, the Industrial Employment (Standing Orders) Act 1946, stipulates the broad guidelines to be followed in dealing with employee misconduct. Besides this, there are two other acts. The Industrial Disputes Act 1947 lays down certain provisions for the settlement of industrial disputes arising out of disciplinary matters, while The Payment of Wages Act 1936 deals with the monetary aspects of penalties in disciplinary action.

The Standing Orders Act requires all industrial undertakings employing 100 or more persons to prepare and draft Standing Orders, covering areas such as classification of workers, shift-working, holidays and disciplinary actions.

Case Laws

Case laws play a dominant role in deciding disputes. Since the guidelines for disciplinary action provided in the legislation are not adequate, detailed procedure has been evolved from case law. The principle of natural justice to be followed in departmental inquiries has also come out of a case law.

Collective Agreements

As collective bargaining gained momentum the world over, most of these agreements were at the plant level barring those in the US and Europe, which were at a national level. Collective agreements may contain general statements, however, they also have provisions stating that both, the management and employees have agreed to abide by the certified Standing Orders of the Company.

Arbitral

A dispute can be brought to arbitration at any stage after the imposition of punishment, which includes discharge or dismissal. The arbitrator may look into various aspects, including inquiry proceedings, the worker's previous record and prior disciplinary actions on the same or similar cases. Reference may be made to case laws or constitutional provisions but there are no clear-cut guidelines provided anywhere, which need to be strictly followed.

Works Committees

These are consultative bodies which aim at bringing about 'amity and good relations' by taking up issues related to working conditions. They usually do not play a dominant role in disciplinary cases but do, at times, tend to resolve issues.

Unilateral Personal Policies

On account of strong legal pressures, as well as the predominance of trade union influence, it is rather difficult for employers to formulate disciplinary rules.

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Foucault and Disciplinary Power

Foucault was interested in the nature of power in society and the analysis he has developed has been extremely influential, though difficult to place in the sense of locating it in tradition or tracing its predecessors. The approach developed by Foucault has stressed a 'disciplinary' notion of power. In *Discipline and Punish* (1979), he develops his theme in historical analysis of criminality. Under Foucault's conception, power is integral to all social relationships. Disciplinary power is insinuated in daily routines; it involves the 'meticulous observation' of action and the 'penetration of regulation into even the smallest details of everyday life'. The principles of disciplinary power are those of the enclosure of personnel on specific sites and partitioning of behaviour. Modern organizations contain many differences of appearance, but they share the same underlying programmes of power.

At the core of Foucault's picture of modern 'disciplinary' society are three primary techniques of control: hierarchical observation, normalizing judgment, and the examination. Control over people (power) can be achieved merely by observing them. Discipline through imposing precise norms (normalization) is quite different from the older system of judicial punishment, which merely judges each action as allowed by the law or not allowed by the law and does not say that those judged are 'normal' or 'abnormal'. This idea of normalization is pervasive in our society: e.g., national standards for educational programmes, medical practice, industrial processes and products. The process of normalization is 'one of the great instruments of power' in modern society. The third form of control is examination. The examination (for example, of students in schools, of patients in hospitals) is a method of control that combines hierarchical observation with normalizing judgment. It is a prime example of what Foucault calls power/knowledge, since it combines into a unified whole "the deployment of force and the establishment of truth" (Foucault, 1975, p.184). It both, elicits the truth about those who undergo the examination (tells what they know or what is the state of their health) and controls their behaviour (by forcing them to study or directing them to a course of treatment). The examination also situates individuals in a "field of documentation". The results of exams are recorded in documents that provide detailed information about the individuals examined and allow power systems to control them (e.g., absentee records for schools, patients' charts in hospitals). On the basis of these records, those in control can formulate categories, averages, and norms that are in turn a basis for knowledge. The examination turns the individual into a "case"—in both senses of the term: a scientific example and an object of care; caring is always also an opportunity for control.

Employment Contract

Individual employment contracts do not specify disciplinary procedures although a provision to be bound by the existing rules and regulations is normally included. General reference such as 'You, as an employee, will abide by all the rules and regulations of the company, which may also change from time to time' are common in most employment contracts.

Other Sources

Based on the recommendations of the ILO, tripartism in industrial relations was initiated in 1942 by setting up the Indian Labour Conference (ILC) consisting an equal number of employees and government representatives. At its sixteenth session in 1958, the Indian Labour Conference adopted a Code of Discipline to encourage voluntary maintenance of industrial relations in industries. Although the Codes has been accepted by several unions and employers, the Ministry

Panopticon

In Michel Foucault's 'Panopticism', he breaks down our social/economical systems and explains society's mentality on the law system. He answers the 'whys' in the way certain individuals act and think as they do. Foucault explains how he feels a person should be disciplined and he looks at it from many different angles. "This enclosed, segmented space, observed at every point, in which the individuals are inserted in a fixed place, in which the slightest movements are supervised, in which all events are recorded in which an uninterrupted work of writing links the center and periphery, in which power is exercised without division, according to a continuous hierarchical figure, in which each individual is constantly located, examined, and distributed among the living beings, the sick, and the dead-all this constitutes a compact model of the disciplinary mechanism." (Foucault, 1975, p. 316)

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of Labour itself acknowledged that the Code has not had a major influence in reducing the indiscipline and conflicts in the industry.

GRIEVANCES IN INDUSTRY

Grievance means any type of dissatisfaction or discontentment arising out of factors related to an employee's job, which he/she thinks are unfair. A grievance arises when employees feels that something has happened or is happening to them, which is unfair, unjust or inequitable.

Definition of Grievance

R.P. Calhoon defines grievance as 'anything that an individual thinks or feels is wrong generally accompanied by an actively disturbing feeling. It does not have to be justified'.

M.J. Jucious defines it as, 'any discontent or dissatisfaction, whether expressed or not, whether valid or not and arising out of anything connected with the company that an employee thinks, believes or even feels as unfair, unjust or inequitable'.

According to Dale Beach, grievance is 'any dissatisfaction or feeling or injustice in connection with one's employment situation that is brought to the attention of management'.

Keith Davis defines it as, 'Any real or imagined feeling of personal injustice which an employee has concerning his employment relationship'.

Causes of Grievances

Some of the causes of grievances are listed in Table 15.2.

TABLE 15.2 Causes of Grievances

In an organization, a grievance may arise due to several factors such as:

- Violation of management's responsibility such as poor working conditions
- Violation of company's rules and regulations
- Violation of labour laws
- Violation of natural rules of justice such as unfair treatment in promotion, etc.
- Working conditions, and
- Personal factors

Grievance resulting from management policies include:	Grievance resulting from working conditions include:
• Wage rates	• Poor safety and bad physical conditions
• Leave policy	• Unavailability of tools and proper machinery
• Overtime	• Negative approach to discipline
• Lack of career planning	• Unrealistic targets
• Role conflicts	
• Lack of regard for collective agreement	
• Disparity between skill of worker and job responsibility	

Grievance resulting from inter-personal factors include

- Poor relationships with team members
- Autocratic leadership style of superiors
- Poor relations with seniors
- Conflicts with peers and colleagues

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It is necessary to distinguish a complaint from grievance. A complaint is an indication of employee dissatisfaction that has not been submitted in written. On the other hand, a grievance is a complaint that has been put in writing and is made formal.

Grievances are symptoms of conflicts in industry. Therefore, society should be concerned with both, complaints and grievances, because both may be important indicators of potential problems within the workforce. Without a grievance procedure, management may be unable to respond to employee concerns since managers are unaware of them. Therefore, a formal grievance procedure is a valuable communication tool for the organization.

Grievance Procedure

Grievance procedure is a formal communication between an employee and the management designed for the settlement of a grievance. These procedures vary with every organization. There are two methods that are commonly used:

1. Open door policy
2. Step-ladder policy

Open Door Policy Under this policy, aggrieved employees are free to meet the top executives of the organization and get their grievances redressed. Such a policy works well only in small organizations. However, in bigger organizations, top management executives are usually busy with other matters of the company. Moreover, it is believed that open door policy is suitable for executives; operational employees may feel shy to go to top management.

Step Ladder Policy Under this policy, the aggrieved employee has to follow a step by step procedure for getting grievances redressed. In this procedure, whenever employees are confronted with a grievance, they present their problem to the immediate supervisor. If not satisfied with superior's decision, then the employees discuss their grievance with the departmental head who, in turn, will take up the matter with joint

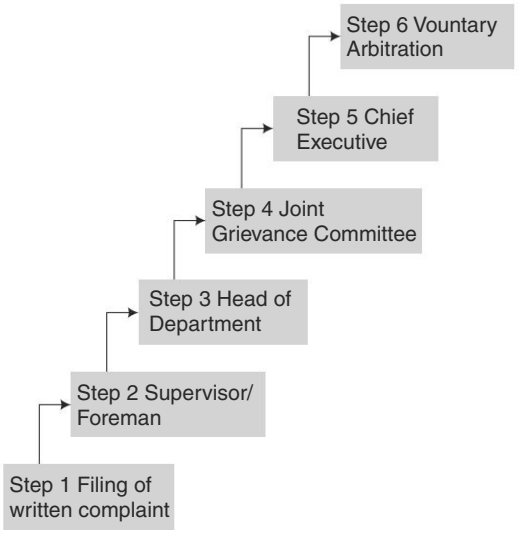

FIGURE 15.1 Step ladder grievance procedure

grievance committees to find a solution. However, if the committee also fails to redress the grievance, then it may be referred to chief executive. If the chief executive also fails to redress the grievance, then such a grievance is referred to voluntary arbitration where the award of arbitrator is binding on both the parties (see Figure 15.1).

GRIEVANCE PROCEDURE IN INDIAN INDUSTRY

The fifteenth session of the Indian Labour Conference held in 1957 emphasized the need of an established grievance procedure for the country which would be acceptable to unions as well as to management. In the sixteenth session of the ILO, a model for grievance procedure was drawn up (Figure 15.2). This model helps in creation of grievance machinery. According to it, workers' representatives are to be elected for a department or their union is to nominate them. Management has to specify the persons in each department who are to be approached first and the departmental heads who are supposed to be approached in the second

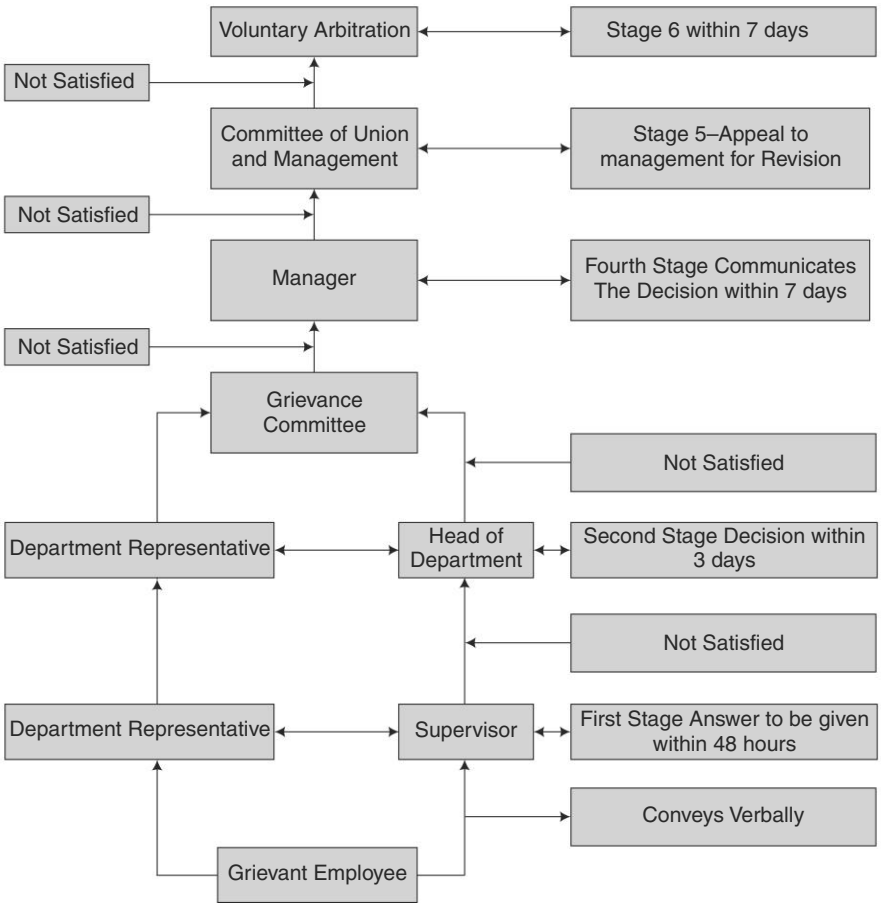

FIGURE 15.2 Grievance procedure as suggested by National Commission on Labour

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step. The Model Grievance Procedure specifies the details of all the steps that are to be followed while redressing grievances. These steps are:

Step 1 In the first step, the grievance is to be submitted to the departmental representative, who is a representative of the management and has to give an answer within 48 hours.

Step 2 If the departmental representative fails to provide a solution, the aggrieved employee can take his/her grievance to head of the department, who has to give a decision within three days.

Step 3 If the aggrieved employee is not satisfied with the decision of the departmental head, he/she can take the grievance to the Grievance Committee, which makes its recommendations to the manager within seven days in the form of a report. The final decision of the management on the report of the Grievance Committee must be communicated to the aggrieved employee within three days of the receipt of report. An appeal for revision of final decision can be made by the worker if he/she is not satisfied with it. The management must communicate its decision to the worker within seven days.

In any process of discipline or grievance, 'principles of natural justice' have to be followed:

The accused has a right to present witnesses.

- Accused has a right to cross examine.
- Evidence to taken in the presence of accused.
- No material to be used without him being given an opportunity to explain.
- Enquiry to be fair.
- No punishment to be out of proportion.

CODE OF DISCIPLINE

To maintain harmonious relations and promote industrial peace, a Code of Discipline has been laid down which applies to both, public and private sector enterprises. It specifies various obligations for the management and

Industrial Law and Jurisprudence in India

Slichter (1941) wrote of industrial jurisprudence as follows:

"Through the institution of the state, men devise schemes of positive law, construct administrative procedures for carrying them out, and complement both statute law and administrative rule with a system of judicial reviews. Similarly, labouring men, through unions, formulate policies to which they give expression in the form of shop rules and practices which are embodied in agreements with employers or are accorded less formal recognition and assent by management; shop committees, grievance procedures, and other means are evolved for applying these rules and policies……. When labour and management deal with labour relations analytically and systematically after such a fashion, it is proper to refer to the system as 'industrial jurisprudence'."

Labour legislation that is adapted fulfills three crucial roles:

- It establishes the legal system that facilitates productive individual and collective employment relationships, and therefore productive economy.
- By providing a framework within which an employers, workers and their representative can interact with regard to work related issues; it serves as an important vehicle for achieving harmonious industrial relations based on workplace democracy.
- It provides a clear and constant reminder and guarantee of fundamental principles and rights at work which received broad social acceptance and establishes the processes through which principles of rights can be implemented and enforced.

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the workers with the objective of promoting cooperation between their representatives. Code of Discipline ratified by Central Organizations of workers and employers at the sixteenth session of the India's Labour Conference in March 1958 and became operative on 01 June 1958.

The Code of discipline is based on the following principles:

- There should be no strike without proper notice.
- There is no unilateral action in connection with any industrial matter.
- No recourse to 'go slow' tactics.
- Existing machinery of settlement of dispute should be utilized.
- Awards and agreements should be speedily implemented.

Objectives of Code

The basic objectives of code of discipline are:

- Maintaining peace and harmony in industry
- Promoting constructive criticism
- Avoiding work stoppages in industry
- Securing settlement of disputes
- Facilitating free growth of trade union
- Bringing home to each other the recognition of rights and responsibilities towards each other
- Eliminating all forms of coercion, intimidation and violation of rules and procedures governing industrial relations

Features of the Code

- It prohibits strike.
- No one-sided unilateral action.
- All disputes settled through existing machinery.
- Employers will not increase work load.
- Common grievances procedure for settlement of disputes.
- Unfettered growth of trade unions.
- Prompt action against officers whose conduct provokes indiscipline.
- No trade union activity during working hours.

To ensure better discipline in industry, management and unions agree on not indulging in various actions. Three sets of principles were initiated; the first applies to both, the management and union; the second consists of obligations to be observed by the management; and the third is obligations of trade unions. These actions can be summarized as follows:

Management and Union(s) Agree

- That no unilateral action should be taken in connection with any industrial matter and that should be settled at the appropriate level
- That the existing machinery for settlement of disputes should be utilized with the utmost efficiency
- That there should be no strike or lock-out without prior notice

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- That neither party will have recourse to coercion, intimidation, victimization or 'go slow' tactics
- That they will avoid litigation, sit-down and stay-in strikes and lock-outs
- That they will promote constructive co-operation between their representatives at all levels and as between workers themselves
- That they will establish upon a mutually agreed grievance procedure which will ensure a speedy and full investigation leading to settlement
- That they will abide by various stages in the grievance procedure and take no arbitrary action which would by-pass this procedure; and

Management Agrees

- Not to increase work-loads unless agreed upon or settled otherwise
- Not to support or encourage any unfair labour practice such as discrimination and victimization of any employee
- To take prompt action for settlement of grievances and implementation of settlements, awards, decision and orders
- To take appropriate disciplinary action against its officers and members in cases where enquiries reveal that they were responsible for precipitate action by workers leading to indiscipline

Union Agrees

- Not to engage in any form of physical duress
- Not to permit demonstrations which are not peaceful
- That their members will not engage or cause other employees to engage in any union activity during working hours
- To discourage unfair labor practices such as negligence of duty, damage to property and insubordination
- To take prompt action to implement awards, agreements, settlements and decisions

Bipartite and Tripartite Agreement

An agreement arrived at between the management and the workers on their own, without any interference from the Government under section 18(1), is referred to as a 'bipartite settlement'. It is applicable to those who are a party to the settlement.

Tripartite agreement is arrived at during conciliation proceedings before the conciliation officer and is referred to as 'tripartite settlement'. This covers all workers present and future and all unions even if they are not a party to the settlement. This is called a 12(3) settlement. These have been discussed in Chapter 16.

STANDING ORDER

A systematic and regularized workforce is an essential prerequisite for the efficient functioning of an organization whether big or small. From this stems the concept of 'standing orders', a formalized set of guidelines, rules and regulations formulated by an employer touching upon certain specific issues of employment like classification of employees, shift working, grant of leave, lay-off, acts and omissions that constitute misconduct and punishment for it, retirement, etc. 'Standing orders' are the rules of conduct for the

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workers employed in an industrial establishment primarily made for governing their service conditions. They bind the employer and the workers. However, they can also govern the service conditions of other employees of the establishment who may not be workers.

The Industrial Employment (Standing Orders) Act, 1946 ('the Act') is the governing legislation on the concept. The Act applies to all industrial establishments employing 50 or more workers. The industrial establishments covered under the Act may be a factory, dock, wharf, mine quarry, oil-field, plantation, workshop or other establishments where articles are produced or manufactured or any other establishment, which deals in any work relating to construction, development or maintenance of building or relating to generation, transmission and distribution of electricity, etc. It is mandatory for the employer of such an establishment to frame draft 'Standing Orders' for adoption in the establishment. Five copies of the draft 'Standing Orders' framed by the employer must be submitted to the certifying officer for its registration.

Under the Industrial Employment (Standing Orders) Central Rules, 1946, the model standing orders in respect of coal mines are different from that of other industrial establishments. The 'Standing Orders' or the model standing orders do not become operative and do not get legal standing unless they are registered with the certifying officer as per the prescribed procedure.

Objectives

To regulate the conditions of recruitment, discharge, disciplinary action, holidays, etc. of workers employed in industrial undertakings and establishments.

Scope and Coverage

- Applicable to industrial establishments wherein 50 or more workers are, or have been employed in the preceding 12 months.
- Central and state governments can make this Act applicable to establishments employing less than 50 persons, as in the case of UP and West Bengal.
- In Assam, it is applicable to concerns employing 18 or more workers.

While framing the 'Standing Orders', the employer should keep in mind every matter that may be applicable to the industrial establishment and must prepare the draft in accordance with the requirements and policies of the industry. Just as the business strategies of various types of industries are different, the management of the workforce also varies. Therefore, the 'Standing Orders' of different industries may be different in its contents.

The Act does not require the employer to draft the 'Standing Orders' verbatim as given in the Schedule or reproduce the format as it is. The crucial fact about these orders is that it should conform to the basic structure provided in law. For instance, if the workers insist on the inclusion of certain other matters not provided in the Schedule, it may be allowed if the certifying officer finds it reasonable and if the draft contains the required minimum to be provided. Few important aspects that may form the contents of the 'Standing Orders' apart from the respective rights and responsibilities of the employer and the employees are as follows:

- Particulars about employees
- Misconduct
- Shift working
- Procedure for grant of leave
- Procedure for grant of leave
- Penalty

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Amendments to the Industrial Disputed Act, 1947 and the Contract Labour (Regulation and Abolition) Act, 1970, Post-economic Liberalization

- "Amendment to the provision of Chapter V-B of the Industrial Disputes Act – prior approval of appropriate Government Authority for effecting lay-off, retrenchment and closure after following prescribed procedures to now apply to industrial establishments employing not less than 1000 workers (instead of 100 workers at present) and separation compensation to be increased from 15 days to 45 days for every completed year of service. Appropriate legislation to amend the Act to be introduced by the Minister for Labour within this Session."
- "Section 10 of the Contract Labour Act to be amended to facilitate outsourcing of activities without any restrictions as well as to offer contract appointments. It would not differentiate between core and non-core activities and provide protection to labour engaged in outsourced activities in terms of their health, safety, welfare, social security, etc. It would provide for larger compensation based on the last drawn wage as retrenchment compensation for every year of service. Appropriate legislation to amend the Act to be introduced by Ministry of Labour within this Session."

Accordingly, in respect of the Industrial Disputes Act, 1947 comprehensive amendment proposals including inter-alia, setting up of Grievance Redressal Authority, relaxation of qualification of Presiding Officers of Central Government Industrial Tribunal-cum-Labour Courts (CGITs), direct reference of disputes connected with termination/dismissal/retrenchment/discharge to Industrial Tribunals etc. were prepared. In its meeting held on 22.02.2002, the Cabinet approved the proposals while directing that process of building a consensus to facilitate the introduction and passage of the Bill in the Parliament would simultaneously be initiated. Pursuant to the direction, wide-ranging consultations with all concerned were held to build up a consensus, including discussions in the Indian Labour Conference, Tripartite Industrial Committee etc. But it has so far proved elusive.

In the wake of economic liberalization, however, the NDA government had constituted a Group of Ministers (GoM) to consider the proposals for amending the Act. The GOM had several meetings between the years 2000 and 2003. One of the proposed amendments under consideration was to exempt certain activities from the application of Section 10 of the existing Act. The GOM identified the following ten (10) activities, which are in the nature of supportive services of an establishment for exemption:

1. sweeping, cleaning, dusting and gardening;
2. collection and disposal of garbage and waste;
3. security, watch and ward;
4. maintenance and repair of plant, machinery and equipments;
5. house keeping, laundry, canteen and courier;
6. loading and unloading;
7. information technology;
8. support services in respect of an establishment relating to hospital, educational and training institution, guest house, club and transport;
9. export-oriented units established in Special Economic Zones and Units exporting more than seventy five percent or more of their production; and
10. Construction and maintenance of buildings, roads and bridges. However, there was no headway due to change in Government and subsequently absence of a consensus.

Only the State Government of Andhra Pradesh has made amendments by defining core and non-core activity, prohibiting contract labour in all core activities except those normally done through contractors, part- time work or in case of sudden increase of work in a core activities. A designated authority enquires disputes as to whether an activity is core or non-core.

S U M M A R Y

In this chapter, we have discussed the importance of discipline; to a positive attitude towards the improvement of a person if he/she makes a genuine error. Disciplinary action should follow a well chartered procedure. The punishment and omissions should be well publicized, hence, the importance of the Code of Discipline and Standing Orders. Before an individual is penalized, he/she should be given full opportunity to be heard.

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Grievance procedures are mainly meant as a remedy to individual problems. All opportunities should be given to an individual to express his grievance and remedy conveyed to him/her at the earliest. The Second Labour Commission has laid down grievance procedures to be followed in India.

KEY TERMS

Discipline
Grievance
Stepladder grievance procedure
Code of conduct
Natural justice
Impersonal discipline
Open door policy

REVIEW QUESTIONS

1. 'Too often, discipline is thought of only in the negative sense. However, in reality, positive discipline is immeasurably more effective and plays a larger role in business management.' Discuss the statement and indicate the principles to be borne in mind while taking disciplinary action.
2. 'Discipline is what a leader makes.' Comment.
3. Explain the causes of indiscipline in industry. What is the Code of Discipline in India? Suggest improvements in it.
4. Define 'grievance' and describe its causes. What is the need for a grievance procedure?
5. What do you understand by grievances? Discuss their various causes.
6. Explain the types and steps of a grievance procedure.

PROJECT WORK

Lately, a lot of concern is being exhibited in ensuring health of the employees. Visit the nearest factory and find out the Government orders on employee welfare. See if these orders are being implemented in the industrial unit.

FURTHER READINGS

Abad Ahmad, Nirmal Singh and S.K. Bhatia (2006), *Industrial Relations and Collective Bargaining*, Deep & Deep Publications

Isabella, Bakker, *Beyond States and Markets: The Challenges of Social Reproduction*, Rouutledge, covers subjects such as Economic development, Equality, Feminist economics, Globalization, Industrial productivity, Sexual division of labor, Social aspects

Andreas Bieler, Devan Pillay and Ingemar Lindberg (2008), *Labour and the Challenges of Globalization*: What *Prospects for Transnational Solidarity*, University of Michigan

(The working classes across the world are feeling the effects of globalization and the race to the bottom that it encourages. Core jobs for workers in the developed world are being outsourced to countries where pay and conditions are terrible and union membership is often forbidden. Much of the work of the world economy is now taking place in a burgeoning informal sector, making worldwide organization of labor very difficult.

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Case studies from eleven different countries, including China, Germany, Canada and South Africa, illustrate what is happening and show how workers and trade unions can successfully adapt to the neoliberal world.)

labour.nic.in/ir/welcome.html

www.management-hub.com/hr-grievance.html

industrialrelations.naukrihub.com/grievance-procedure.html

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PART FIVE

Work Systems and Contemporary Issues

16. Organizational Changes and Post-industrial Society

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CHAPTER SIXTEEN 16

Organizational Changes and Post-industrial Society

LEARNING OBJECTIVES

After reading this chapter, you will be able to understand

- Changes that are taking place in the society
- Triple concept of human society
- Major characteristics of post-industrial society
- Information age and its characteristics
- Work in information age
- Open societies and the Internet
- Future information society

POST-INDUSTRIAL SOCIETY

The phrase 'post-industrial society' was coined in 1914 in Great Britain by Ananda K. Coomaraswamy and Arthur J. Penty. In 1958, it was revived in America, primarily by Daniel Bell[1]; and from the end of the 1960s in French social sciences by Alan Touraine. A post-industrial society is a proposed name for an economy that has undergone a specific series of changes in structure after a process of industrialization. Ritzer[2] provides six changes in social structure associated with the transition to a post-industrial society:

1. **Services:** Within the economy, there is a transition from goods production to the prevision of services. Although services predominate in a wide range of sectors, health, education, research, and government services are the most decisive for a post-industrial society.
2. **Changing Nature of Work:** The importance of blue-collar, manual work (e.g., assembly line workers) declines and professional (lawyers) and technical work (computer programmers) come to predominate. Of special importance is the rise of scientists (e.g., medical and genetic and engineers).

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3. **Central Role played by Theoretical Knowledge in Social Change and making Societal Decision:** Theoretical knowledge is increasingly essential in a post-industrial society, such knowledge is seen as the basic source of innovation (e.g., the knowledge created by those scientists involved in the human genome project is leading to new ways of treating many diseases). The exponential growth of theoretical and codified knowledge over empirical knowledge, in all its varieties, is central to emergence of the post-industrial society.
4. **Rise of Socio-economic Planning as a Tool of Public Policy:** Post-industrial society seeks to assess the impacts of new technologies, and where necessary, to exercise control over them. The goal is a surer and more secure technological world. The hope is for better monitoring of things like nuclear power plants and to improve them so that accidents like that at Three-Mile Island or Chernobyl can be prevented in the future.
5. **Assessment and Control:** Handling new intellectual technologies is a complexity of post-industrial society. Methodologies to assess and control new intellectual technologies need to be developed and implemented. These include cybernetics, and game and information theory.
6. A new relationship, forged in the post-industrial society between scientists and the new technologies they create, as well as systematic technological growth, lies at the base of postindustrial society. This leads to the need for more universities and university-based students. In fact, education is crucial to postindustrial society. Universities produce experts who can create, guide, and control the new and dramatically changing technologies. Celebrating the 650th anniversary of Prague University in April 1998, President Václav Havel remarked: "University research must not be driven solely… By the demands of the market economy; post-industrial society demands the universities recall their original concept of 'general learning'."

President Bill Clinton used the term 'post-industrial'. In a round table discussion in Shanghai (June 30, 1998) on "Shaping China for the 21st Century", President Clinton remarked: "In your economic growth, you will almost leap over a generation of economic experiences that older European countries and the United States experienced. You will essentially be creating an industrialized and a post-industrial society at the same time. And therefore, more quickly you will have to educate more people at higher levels than we did."

Characteristics of Post-industrial Society by Bell

1. From 'manufacturing' to 'services'.
2. *Occupational changes* Rise of professional and technical employment and the relative decline of skilled and semi-skilled workers.
3. *Property and education* Education has become the basis of social mobility, and even entrepreneurship requires higher education background.
4. *Financial capital and human capital* Until approximately 30 years ago, capital was mainly financial capital amassed as money or land. However, today, human capital is regarded as an essential feature in understanding the strength of a society.
5. *Technology and intellectual technology* With computer-aided design in manufacture, merging communications, 'intellectual technology' comes to the fore which uses algorithms, programming, models and simulations, in the running of new 'high technology'.
6. *Infrastructure* Infrastructure in industrial society was transportation—ports, railways, highways, etc. – which made exchange of goods and materials possible. Infrastructure, today, is communication-Internet and the World Wide Web, which is growing at an unprecedented rate.
7. *A knowledge theory of value* From labour theory of value, the development of industry proceeds by labour saving devices, post-industrial society rests on knowledge theory of value. Knowledge is the source of invention and innovation, creates value added and increasing returns.

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INFORMATION SOCIETY

The collocation 'information society', as it is now used, first emerged in Japanese social science(s) in the early 1960s. The Japanese version of the expression (*joho shakai, johoka shakai*) was born during a conversation in 1961 between Kisho Kurokawa, the famous architect, and Tudao Umesao, the renowned historian and anthropologist. It first appeared in print as the title of a study published in January 1964. The author was Jiro Kamishima but the title was given to the study by the editor, Michiko Igarashi (Sociology in Information Societies).

An information society is a society in which the **creation, distribution, diffusion, uses, and manipulation of information is a significant economic, political, and cultural activity**. The knowledge economy is its economic counterpart whereby wealth is created through the economic exploitation of understanding. Specific to this kind of society is the central position that information technology[3] has for production, economy, and society at large.

Characteristics of Information Society

- Information, the axis of socio economic development, will be produced by the information utility,
- Self production of information by users will increase; information will accumulate.
- This accumulated information will expand through synergetic production and shared utilization
- The economy will change structurally from an exchange economy to 'a synergetic economy'.

Definition

In the case of a highly abstract concept such as information society, short definitions may emphasize completely different aspects. The following are a few common definitions:

- A society that organizes itself around knowledge in the interest of social control, and the management of innovation and change (Daniel Bell).
- A new type of society, where the possession of information (and not material wealth) is the driving force behind its transformation and development […] (and where) human intellectual creativity flourishes (Yoneji Masuda).

New Work

The very nature of work-–what people do as society and in organizations--is rapidly changing. Robert Reich, US Secretary of Labour, (*'New Work is the Way of Labor'*, Philadelphia Inquirer, September 6, 1993) calls this the phenomena of 'new work',

"New work involves less rote repetition and more problem-solving. Value is added by customizing and continuously improving a product or service to meet customer needs. New work is enhanced, not imperiled, by technology. And it cannot be instantly duplicated overseas, because it depends on the resource within the nation that remains durably here with us—our minds."

A recent analysis by Walter Kiechel III, *How we will work in the Year 2000*, published in *Fortune* magazine dated May 17, 1993, painted this picture of the workplace in the year 2000:

- Average company will be smaller, employing fewer people.
- The traditional hierarchical organization will give way to a variety of organizational form, the network of specialists foremost among them.
- Technicians, ranging from computer repairman to radiation therapist, will replace manufacturing operatives as the worker elite.
- The vertical division of labour will be replaced by horizontal division.
- The paradigm of doing business will shift from making a product to providing a service.
- Work itself will be redefined: constant learning, more high order thinking, less nine to five mentalities.

These changes that are taking place are affecting relationships which are evolving, creating new meaning and holding new opportunities for the individuals of the twenty-first century and their organizations.

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Triple Concept of Human Society

While studying and comparing 'industrial society' and 'information society' it is observed that there are distinct characteristics that demarcate the two. In an industrial society, the emphasis was on mass production, and individual skills to meet the consumption needs of the society, while in an information society, there is a marked shift to individual achievements, team work or synergism and information to edge the competitors. This is popularly known as the Triple Concept of Human Society (Figure 16.1).

Daniel Bell surveys the characteristic differences reflected by the social-historical phases—simplified into three main periods—along nine distinctive aspects viz. economic sector, resources bringing about change, strategic resources, technology, knowledge-base, methodology, time perspective, planning, and guiding principle (see Table 16.1).

Knowledge Industry

Fritz Machlup, in his study *The production and distribution of knowledge in the United States* in 1962, introduced the concept of the knowledge industry. He has distinguished five sectors of the knowledge sector: education, research and development, mass media, information technologies, and information services.

TABLE 16.1 Dimensions of the Information Society According to Daniel Bell

	Pre-industrial	*Industrial*	*Post-industrial*	
Mode of Production	Extractive	Fabrication	Processing, Recycling	
Economic Sector	**Primary** Agriculture, Mining, Fishing	**Secondary** Goods producing Manufacturing Durable products Non-Durable products Construction Industry	**Services** **Tertiary** Transportation Utilities **Quinary** Health, Education. Research. Government Recreation	**Quaternary** Trade Finance Insurance Real Estate
Transforming Resources	Natural Power	Created Energy	Information	
Strategic Resources	Raw materials	Financial capital	Knowledge	
Technology	Craft	Machine Technology	Intellectual Technology	
Skill Base	Artisan, manual Worker, Farmer	Engineer, semi skilled worker	Scientist, technical and professional occupations	
Methodology	Common sense trial and error, experience	Empiricism, experimentation	Abstract theories, models, simulations, decision theory, system analysis	
Time Perspective	Orientation to the past	Ad hoc adaptiveness, experimentation	Future orientation, forecasting and planning	
Design	Game against nature	Game against fabricated future	Game between futures	
Axial principle	Traditionalism	Economic Growth	Codification of theoretical knowledge	

Source: Bell (1979)

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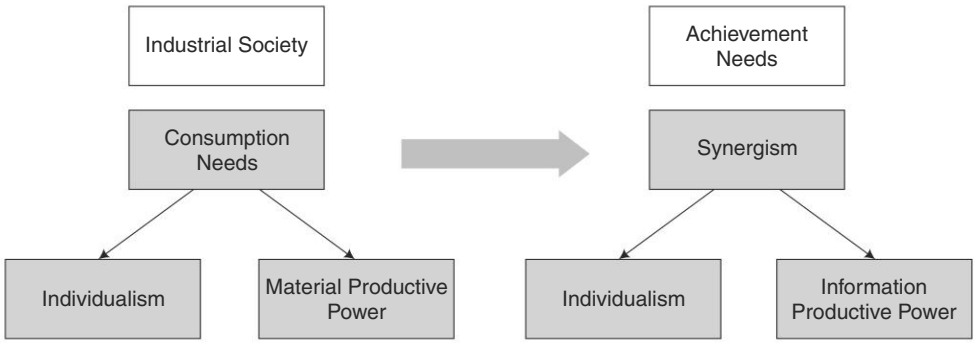

FIGURE 16.1 Triple concept of human society

Work in Information Society

We live in a new economy characterized by three fundamental features:

(a) It is informational. The capacity of generating knowledge and processing/managing information determines the productivity and competitiveness of all kinds of economic units, be it firms, regions, or countries.

(b) This new economy is global in the precise sense that its core, strategic activities have the capacity to work as a unit on a planetary scale in real time or chosen time. Core activities are financial markets, science and technology, international trade of goods and services, advanced business services, multinational production firms and their ancillary networks, communication media, and highly skilled specialty labour. Most jobs are, in fact, not global, but all economies are under the influence of the movements of their globalized core. 'Globalization is highly selective; it proceeds by linking up all that, according to dominant interests, has value anywhere in the planet, and discarding anything (people, firms, territories, resources) which has no value or becomes devalued, in a variable geometry of creative destruction and destructive creation of value'.

Network Societies and Flows

Taking Bell's ideas further, another term 'Network Society' was coined by Jan van Dijk in his Dutch book ***De Netwerkmaatschappij*** (1991), which when translated is The Network Society' (1999, 2006) and by Manuel Castells in the first part of his trilogy ***The Information Age*** (1996). In 1978, James Martin used the related term 'The Wired Society' indicating a society that is connected by mass and telecommunication networks. Van Dijk defines the network society as a society in which a combination of social and media networks shape its prime mode of organization and most important structures at all levels (individual, organizational and societal). He compares this type of society to a mass society that is shaped by groups, organizations and communities ('masses') organized in physical co-presence. According to Castells, networks constitute the new social morphology of our societies. The diffusion of a networking logic substantially modifies the operation and outcomes in processes of production, experience, power, and culture. For Castells, networks have become the basic units of modern society. Technology, as material tool, and meaning symbolic construction, through relationships of production/ consumption, experience, and power, is the fundamental ingredients of human action—an action that ultimately produces and modifies social structure. Van Dijk does not go that far; for him, these units still are individuals, groups, organizations and communities, are increasingly linked by networks.

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(c) The new economy is networked. At the heart of the connectivity of the global economy and of the flexibility of informational production, there is a new form of economic organization—the network enterprise. This is not a network of enterprises. It is a network made from either firms or segments of firms, and/or from internal segmentation of firms.

Rather than buying and selling products, the new currency is 'information', in the form of customer data (emails, addresses, buying preferences), intellectual and creative property (patents, ideas, digital images, etc.) and other data.

Hot Desking

Hot desking is where an office has generic desk areas where anyone can work rather than specific allocated areas for each employee. Logging in to the computer often provides a customizable desktop, which gives workers a feeling of 'place' since they cannot personalize the office space in other ways.

Skills Required for the Workforce

The skills required for the workforce of this economy are knowledge-based, in such areas as education, training, computer literacy, programming skills, legal skills and so on. The unit of this production process is not the firm, but the business project. The skills are not tied to physical location and the productivity can be transmitted across the world, so that companies can now operate easily in a global market, without reference to local conditions.

The current trend of relocating call centres into India is only the latest part of the industry to make a move towards a global workforce; the legal industry has for some years outsourced the writing of many legal documents to places where there are well-educated employees with fewer expectations on employment conditions or pay, such as India.

Changes in Work Pattern

Flexible work

The key transformation is the 'individualization of labour'. Induced by globalization, and the network enterprise, facilitated by information/communication technologies, the most important transformation in employment patterns concerns the **development of flexible work**, as the predominant form of working arrangements. Part-time work, temporary work, self-employment, work by contract, informal or semi-formal labour arrangements, and relentless occupational mobility, reversing the process of socialization of production is characteristic of the industrial era.

Remote working

The mass availability of computing and communication equipment has often led to comments about the changing nature of work, and in particular, the move from the traditional workplace into the home. Though steady, the trend of home-working and telecommuting has no caught on as was expected. There could be many reasons for this, such as the reluctance to give up the social aspects of work; the benefits associated with using a different environment for work to that for other activities, and the difficulties associated with the technologies themselves. In the nineties, tele-working

Interactive Media

- Web publishing and citizen journalists
  - Blogs (article and photo journalism)
  - Podcasts (audio and video)
  - Video-on-demand (e.g. Google video)
- Media awareness and public participation

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was promoted as a viable alternative to going in to the office, despite the inadequacy of the technologies.

Tele Working

- Tele-working is used to create more flexible working patterns.
- It provides more employment opportunities.
- It reduces travel needs, and hence, reduces pollution and congestion.
- It reduces social aspects of work—interaction with colleagues, etc.
- Working communities—real and virtual.

Work, surveillance and privacy

One of the implications of the widespread use of computer-mediated communication technologies is the ease by which this use can be monitored and filtered.[4]

The 'Surveillance Society' is now an accepted norm; we walk past CCTV cameras all the time. It's now easy to implement a very high level of surveillance with email and web traffic. In fact, it is already specified (and even required) by our legislature.

Digital Divide

The Internet is often cited as a divisive factor in society; that those having access are increasingly advantaged over those having no access. As the Indian government places more of its information and advice online, it will become essential for all have access to this. Initiatives have been launched in the past to address the imbalance between those who have access and those who do not. Access is particularly problematic for minorities (language issues) and the disabled (accessibility problems).

GLOBALIZATION

The Indian society has been in a state of ferment as a result of the interplay of complex factors and forces unleashed by the post 1990 global churning. Globalization has now become the central theme around which political, economic and social relations are being defined both, within and across nation states.

Globalization

Amartya Sen a Nobel Laureate and Economist in his Foreword, Make Trade Fair, Oxfam 2002, said:

"Global interaction, rather than 'insulated isolation', has been the basis of economic progress in the world. Trade, along with migration, communication and dissemination of scientific and technical knowledge, has helped to break the dominance of rampant poverty and pervasiveness of 'nasty, brutish, and short' lives that characterized the world. And yet, despite all the progress, life is still severely nasty, brutish and short for a large part of the world population. The great rewards of globalized trade have come to some, but not to others."

Giddens[5] says: "Globalization can then be defined as the intensification of worldwide social relations, which link distant localities in such a way that local happenings are shaped by events many miles away and vice versa … Local transformation is as much a part of globalization as the lateral extension of social connections across time and space." There is an increasing degree of connectedness between issues and events across geographical barriers. 'Globalization, as a concept, refers both, to the compression of the world and the intensification of the consciousness of the world as a whole[6], a global outlook tailored to local conditions (Nash 2000; 85)[7], and a social process in which the constraints of geography on social and cultural arrangements recede and in which people become increasingly aware that they are receding'.[8]

Robertson's definition of globalization is:

"Globalization, as a concept, refers both, to the compression of the world and the intensification of consciousness of the world as a whole… both, concrete global interdependence and the consciousness of the global whole."[9]

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Globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology. This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human physical well-being in societies around the world. The increase of foreign investment in industrial activities has accelerated the restructuring of production and new ways of managing the workforce.

From the definitions above, we can define globalization as:

"A social process in which constraints of geography on economic, political, social and cultural arrangements recede, in which people become increasingly aware that they are receding and in which people act accordingly."[10]

Globalization can be traced along three aspects of social life:[11]

(a) **The economy** Social arrangements for the production, exchange, distribution and consumption of land, capital, goods and labour services.

(b) **The polity** Social arrangements for the concentration and application of power that can establish control over populations, territories and other assets as it is manifested as the organized exchange of coercion and surveillance.

(c) **Culture** Social arrangements for the production, exchange and expansion of symbols (signs) that represent facts, affects, meanings, beliefs, etc.

Elements of Globalization

- International capital flows
- Global integration of business activities
- Flows of images, ideas, information, and values through media and communications
- Spread of consumerism and individualism worldwide
- International mobility of people (for leisure, work) and ideas
- Impact of human activity on the global ecological system and the environment
- Consciousness by the public of global issues, events, and risks
- The rise of environmental and non-governmental organizations
- Political action across borders and directed at supranational forums

Phenomena such as culture and people movements are what we are concerned with here. Culture is sociological and has social effects, whereas economic and political issues are the preserve of other disciplines. However, we will draw from economic and political perspectives and deal with issues of capitalism, ownership, the division of labour, and economic class.

Concept of Globalization

The concept of globalization is as old as mankind, but it had just two ramifications, first, trade and commerce, and second, the migration of people. However, the present trend in globalization began to strive shortly after the end of World War II when the Allied Powers led by the United States decided to support a worldwide 'open' trading and investment systems and the USSR-led government tried to spread Communist ideology. Martell (2010) lays down criteria for Globalization:

(a) To be globalized implies something must reach every part of the world.

(b) Needs to be globally inclusive in inputs as well as reach. Globalization needs to have inputs from across continents with many countries within them, rather than just a one way or unequal process.

(c) Need for interdependency rather than just interconnection.

(d) There needs to be stability and regularity in relations as these establish structures or systems.

(e) Must include the masses or the bulk of people and there should be global consciousness.

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Effect of Globalization

Globalization transforms human relations by linking together and expanding human activity across regions and continents. It involves the following:

(a) Trans-regional interconnectedness and a widening of networks resulting in activities across frontiers so that activities in one region have significance for others in distant regions.

(b) An intensification of interactions and flows across societies and states.

(c) Speeding up of global interactions as a result of development of transport and communications.

(d) Impact of distant events is magnified. Local events can have big global consequences, resulting in boundaries getting blurred.

Globalization: A Central Reality of Our Time

"To realize the full possibilities of this economy, we must reach beyond our own borders, to shape the revolution that is tearing down barriers and building new networks among nations and individuals, and economies and cultures: globalization. It's the central reality of our time."

—Bill Clinton, former US President, State of the Union Address, January 2000, *http://fas.org/news/usa/2000/000127-sotu-text.htm*

"Globalization, as defined by rich people like us, is a very nice thing . . . you are talking about the Internet, you are talking about cell phones, you are talking about computers. This doesn't affect two-thirds of the people of the world."

—Jimmy Carter, former US President, *http://brainyquotes.com/quotes/quotes/j/jimmycarte130501.html*

Concept of Globalization

Foremost among these characteristics is a dense, extensive network of interconnections and interdependencies that routinely transcend national borders. These interconnections have occurred and are expressed in ways that appear to 'bring together' geographically distant localities around the world. It is this **enmeshment**[12] which gives rise to consciousness of the world as a single, shared place. Globalization has created changes in the socio-economic and political environments in which work organizations operate and this has, in turn, engendered various types of changes within work organizations themselves. Such changes according to Nnebe[13] may include:

Technological Changes: Encompasses new products, new techniques of production, up grading of quality of labour force, the introduction of new skills and improvement in the quality of management. It also includes 'invention and innovation'. In relation to this, Eitzen and Maxine[14] argued that today's "technology permits organizations to replace many workers with machines that increase productivity and profit, whenever possible downsizing and keeping wages and benefits as low as possible."

Structural Changes: These consist of organizational structure, that is, system of communication, authority, work flow, planning, controlling, directing, motivating, leading etc. Moreover, alteration and modification of the structure of an organization e.g., the appointment of a new director,

Dimensions of Enmeshment

- Extensity—the degree to which cultural, political, social, and economic activities are 'stretching' across new frontiers to encompass the world
- Intensity—changes in magnitude and regularity of interconnectedness
- Velocity—changes in the speed of global interactions and processes

Source: Held, et al., 1999

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Globalization after the Recession: World is so Deeply Integrated that Turning Back is not an Option

Justin Lin, Chief Economist World Bank and Vice President for Development economic

The world economy has just been through a severe recession marked by financial turmoil, large-scale destruction of wealth, and declines in industrial production and global trade. According to the International Labor Organization, continued labour-market deterioration in 2009 may lead to an estimated increase in global unemployment of 39–61 million workers relative to 2007. By the end of this year, the worldwide ranks of the unemployed may range from 219–241 million—the highest number on record.

Meanwhile, global growth in real wages, which slowed dramatically in 2008, is expected to have dropped even further in 2009, despite signs of a possible economic recovery. In a sample of 53 countries for which data are available, median growth in real average wages had declined from 4.3 per cent in 2007 to 1.4 per cent in 2008. The World Bank warns that 89 million more people may be trapped in poverty in the wake of the crisis, adding to the 1.4 billion people estimated in 2005 to be living below the international poverty line of $1.25 a day.

In this climate, globalization has come under heavy criticism, including from leaders of developing countries that could strongly benefit from it. President Yoweri Museveni, who is widely credited for integrating Uganda into world markets, has said that globalization is "the same old order with new means of control, new means of oppression, new means of marginalization" by rich countries seeking to secure access to developing country markets.

Yet the alternative to global integration holds little attraction. Indeed, while closing an economy may insulate it from shocks, it can also result in stagnation and even severe homegrown crises. Current examples include Myanmar and North Korea; before their economic liberalization China, Vietnam, and India were in the same boat.

To ensure a durable exit from the crisis, and to build foundations for sustained and broad-based growth in a globalized world, developing countries in 2010 and beyond must draw the right lessons from history.

In the current crisis, China, India, and certain other emerging-market countries are coping fairly well. These countries all had strong external balance sheets and ample room for fiscal maneuver before the crisis, which allowed them to apply countercyclical policies to combat external shocks.

They have also nurtured industries in line with their comparative advantage, which has helped them weather the storm. Indeed, comparative advantage—determined by the relative abundance of labor, natural resources, and capital endowments—is the foundation for competitiveness, which in turn underpins dynamic growth and strong fiscal and external positions.

By contrast, if a country attempts to defy its comparative advantage, such as by adopting an import-substitution strategy to pursue the development of capital-intensive or high-tech industries in a capital-scarce economy, the government may resort to distortional subsidies and protections that dampen economic performance. In turn, this risks weakening both the government's fiscal position and the economy's external account. Without the ability to take timely countercyclical measures, such countries fare poorly when crises hit.

board, and management team are structural changes. These also bring about a change in the focus or goal of the organization and further include changes in societal goals, output goals, system goals, product goals and derived goals.[15]

Market Changes: As new decrees, edicts, legislations, rules and regulations emerge, they usually affect organizational activities, hence, creating a change in the organization.

Environmental Changes: There are a lot of environmental factors that exert pressure on organizations such as economic, political, social, cultural, legal, religion, population, ecology, competition, etc. Changes could take the form of privatization, commercialization (either partial or full), restructuring, downsizing, diversification, freezing of wages, removal of subsidies and casualization, recapitalization, merger and acquisition.

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Economic changes include the internationalization of production, the greatly increased mobility of capital and of transnational corporations, and the deepening and intensification of economic interdependence. The economic manifestation of globalization includes the spatial organization of production, the interpenetration of industries across borders.

On the **cultural** level, local and national cultures are seen to be increasingly submerged in an undifferentiated global mass culture, described by Ritzer[16] as *'McDonaldization'*. This involves the replacement of indigenous, traditional, national, and local cultures by an international culture of consumerism, seen in the global spread of pop music and Hollywood films, the increasing control of mass media by Western conglomerates and the endangering and disappearance of minority languages and cultural practices.

Some Possible Effects of Globalization on Social Policy

Globalization sets states in competition with each other. This is said to threaten comprehensive systems of public service provision where they exist or stall their future development where they don't.[17]

Amongst the anticipated effects are:

- Lowering of social and labour standards
- Privatization of public services
- Creation of global health and welfare markets
- Growing reliance on voluntary and informal provision

Globalization brings new players into the making of social policy (e.g., various UN agencies; WB, IMF, development banks; international commercial, voluntary, and philanthropic organizations). It raises the issues of social policy to the level of supranational institutions, agencies, and forums, both world-regional (e.g., EU) and global (WB, etc.). Globalization generates 'new' political coalitions within and between countries (regionally and globally) concerned with social policy reform, and creates new/additional social risks and opportunities for individuals, households, workers, and communities.

MIGRATION

In previous eras, population movements have taken place alongside development of contacts and flows between different societies and culture. In particular, large-scale human migrations played a fundamental role during the industrialization of the United States. As Tapinos and Delaunay[18] point out, international migration currently seems to be excluded from the new globalization proces.

WAR AND TERRORISM

Probably the most contested cause of terrorism is an aggrieved group resorting to violence for nationalist or separatist reasons; depending on one's point of view, this can be considered as resistance against an (external) oppressor. So far, only Mahatma Gandhi and his followers of the freedom movement have managed to liberate themselves from foreign occupation by peaceful means, whereas in most other (previously) colonized states "nationalism movements commonly turned to terrorism", it being "the resort of an extremist faction of this broader movement" within an ethnic minority.[19] Williams[20] provides an overview on the relation between ethnic minorities and the likelihood of conflict, for example to establish or assert language rights, religious

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Economic Inequality—Political Conflict

The Economic Inequality–Political Conflict (EI–PC) hypothesis was carried out by Lichbach (1989), who came to the conclusion that "EI-PC studies have produced an equivocal answer about the EI-PC nexus" (p. 440) regardless of the research angle (statistics, rational actor and deprived actor paradigms). Problems that Lichbach identified were notions on the lack of exactly defined economic factors influencing the decision to resort to political conflict and the "tolerance for inequality" (p. 452), according to the Rational Actor (RA) approach shifting to behavioural dissent only when absolute poverty is present, the Deprived Actor (DA) scientific research program's undefined additional "intermediate psychological processes" (p. 459), and another not fully explored factor of the (insignificant) influence of collective action (p. 465). Say, one dismisses the inconclusive research results and assumes that it is a (major) cause fuelling terrorism—proof by contradiction: roughly 15 per cent of the population consumes 85 per cent of the resources, UN statistics show that citizens in the Third World are worse off now than what they were 30 years ago, while a small faction in those countries enriched themselves, i.e., RA and DA are both present as well as the statistics. If either one of them is true, the West ought to be continuously subject to terrorist acts by (a small group representing) people from these Third World countries. But there is no huge mass uprising of the vast majority of the world population against the few in Western states, nor continuous terrorist attacks carried out by Third World citizens against the West. In fact, the amount of terrorist incidents declined in the 1990s.

(For more information, refer to 'Patterns of Global Terrorism' publications, downloadable from the US State Department website at http://www.usemb.se/terror.)

beliefs and symbols,[21] but he also includes factors like "civil and political rights and privileges, regional-ethnic parity in the economy... What then generates perceptions of unfairness is competition/rivalry when an ethnic is subordinated or disadvantaged in economic opportunity, social status, political voice and rights, or cultural expressions."[22] To generalize it further, ethnic conflict arises from a "complex combination" of class, inequality, political opportunity, mobilization resources and "ethnic strength".[23] Most ethnic groups live in peace with each other. Another important factor for conflict may be the social stratification Williams refers to and the inequalities in the distribution of scarce resources. Extensive contemporary media and literature simplify this to the poverty argument that when a group is absolutely or relatively deprived they rebel.

Broadening the perspective to globalization, Galtung[24] blames the Third World - First World dichotomy as a new version of class conflict based on structural violence. Proving that injustice is being done by structural violence is considerably more difficult than an overt assault on a country or discrimination of a target group, and even if one succeeds in convincing one's own group, they are likely stumble upon resorting to terrorist methods, not possessing sufficient assets to purchase and develop so-called 'weapons of mass destruction'. This is an example of a wider gap between means and ends.

REGIONALIZATION

Regionalization can be defined as the growth of societal integration within a given region. It includes the undirected processes of social and economic interaction among the units.[25] It is a dynamic process, which continues from regions as geopolitical units, as organized political cooperation within a particular group of states. Regionalism can best be described as a process occurring in a geographical region by which different types of actors come to share certain fundamental values and norms. These actors participate in a growing network of economic, cultural, scientific, diplomatic, political and military interactions.[26]

Regionalism is emerging today as a potent force in the processes of globalization. Regional integration leads to multilateral cooperation on a global scale, the adoption of liberal promises about cooperation, opening up of the local economies.

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ECONOMIC

Globalization refers to a process of international integration of national goods, financial, and labour markets. It is a process that is being driven by firms through their competitive search for profits, and also by the process of market arbitrage which works to ensure that the same goods sell for the same price no matter where they are traded. In a sense, none of this is new, and globalization is just the logical extension to the international economy of processes that have long operated within our own domestic economy for over 100 years.

Here Comes the *Sogo Shosha*

Japan's little-known trading companies are buying startup technology businesses in the U.S., hoping to catch the next wave of American economic growth. At the time, it seemed like an unstoppable trend. In 1989, Japan's Mitsubishi Estate Company paid almost US$2 billion for New York City's Rockefeller Center. About a year later, a Japanese company called Cosmo World Corporation bought the famed Pebble Beach golf resort on California's Monterey peninsula for roughly $1 billion. Other trophy properties snapped up by Japanese interests around the same period included Columbia Pictures and CBS Records.

Roughly 20 years later, many of those acquisitions have been unwound, but the Japanese are once again spending on mergers and acquisitions in the United States. This time, the targets are in technology sectors such as renewable energy, medical devices, health care, and information technology. And this time, it's not the well-known Japanese companies doing the deals, but instead firms known as *sogo shosha*—the once-sleepy Japanese trading companies that traditionally served as middlemen for selling such mundane products as textiles and chemicals.

And today there's no sign of American outrage. U.S. entrepreneurs desperately need capital, and the Japanese have it. "If you compare the situation that you have in the United States with what we have in Japan, we have a much healthier situation," says Eizo Kobayashi, president and chief executive officer of Itochu Corporation, one of the five major *sogo shosha*, with annual sales of $130 billion. Indeed, despite the recent sharp contraction in the Japanese economy, the nation is sitting on huge sums of capital, including $16 trillion in household assets alone.

In terms of revenue, Itochu is the third-largest *sogo shosha*, smaller than leaders Mitsubishi Corporation and Mitsui & Company. But it is the most aggressive in the United States. "We had difficulty competing with the PE players," says Itochu's Kobayashi. "They had so much money. They acquired companies at the very top. Now they are frozen and we see more opportunities at a reasonable price."

Itochu closed 10 deals in the United States in 2008, up from four in 2007—with all of the 2008 deals in the $10 million to $70 million range. So far, it has invested $2 billion in the U.S. and hopes to increase that to $6 billion. The other trading companies also have targeted billions in search of willing sellers, according to Hajime Matsuura, U.S. correspondent for the *Nihon Keizai Shimbun* (*The Nikkei*) newspaper, who tracks the industry.

The *sogo shosha*' investment campaign is much more targeted than the big plunges. Most deals have involved smaller entrepreneurial firms and new technologies. For example, in November 2008, Itochu teamed up with energy investment companies BayCorp Holdings Ltd. and Energy Management Inc. to form American Renewables LLC. This new company won approval from Nacogdoches, Tex., to set up the largest biomass facility in the country, Nacogdoches Power LLC, which will use woodchips to create 100 megawatts of electricity by 2012, and has four other biomass projects under way.

A year earlier, Itochu acquired Petaluma, a California–based Solar Depot LLC, which distributes, finances, and installs solar energy systems for residential and commercial markets. And in 2007, Itochu bought Mandeville, LA-based MedSurg Specialty Devices, which distributes robotic equipment that helps pharmacists and doctors prepare hazardous drugs. Taking a page from the U.S. private equity industry, Itochu has recently established Principal Investments Group, an in-house investment firm.

Collectively, these efforts are not going unnoticed. Says Hugh Patrick, professor at Columbia Business School and Director of its Center on Japanese Economy and Business: "If you look at the major trading companies, now more than half of their capital is invested in a range of direct investments in firms engaging in some production activities, rather than just trading. In a rather quiet way, trading companies have transformed themselves into investment conglomerates."

Itochu and its rivals are bullish on the U.S. because they view it as the perfect place to learn how innovative technologies take shape. "We have always looked to the U.S. for new business models," says CEO Kobayashi. "When we want to do new business, we go to the United States for new concepts."

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However, globalization has increased the bargaining power of business vis-à-vis both, labour and government. Business now knows that it has alternative sources of labour elsewhere, and it has used this option to put pressure on labour to win wage concessions and reduce benefits. This is clearly visible in the NAFTA experience. Thus, a recent study out of the Cornell Industrial Labor Relations School found that after NAFTA was implemented there was a 33 per cent increase in business use of threats to relocate production during wage bargaining rounds.

The government has also been put under pressure through the use of threats to move to win tax concessions. If tax conditions are deemed relatively less favourable than elsewhere, business moves to invest only in those places where conditions are better. An example of this is the Information Technology Centre that was built in Hyderabad. Information Technology Units started a competition between states that involved an auction regarding the tax concessions where each state was willing to give concessions to attract new investments in Information Technology. The units set up in Hyderabad have effectively stripped the state of huge amount of revenue that is transferred to the Information Technology Companies.

Asia-Pacific Economic Cooperation Pact (APEC), China-ASEAN Free Trade Area (CAFTA), The South Asian Association for Regional Cooperation (SAARC), The Organization of the Petroleum Exporting Countries, North American Free Trade Agreement, etc. are some of the regional economic pacts.

GLOBALIZATION AND SKILLS

The argument that a knowledge-driven economy demands a larger proportion of the workforce with a university education and with access to lifelong learning opportunities has had a major impact on participation rates in tertiary education. Whatever the merits of the economic case for expanding higher education, there has been major growth in all OECD countries and some of the developing countries.

China now has more students in tertiary education than the United States and this gap is likely to grow in the future. India has also witnessed a significant expansion since 1990 and has announced ambitious plans for a fivefold increase in government expenditure on education between 2007 and 2012. In the US, close to half of those gaining a doctoral degree in engineering, mathematics and computer science are foreign students.

Companies have consistently tried to improve quality while reducing their costs. But these attempts have been limited by the problems of delivering high-quality goods and services in lower-cost emerging economies. While these issues remain, companies reported a rapid narrowing of this quality and productivity gap, which in turn is transforming the way they think about the global supply of talent. The new competition is based on quality and cost, challenging Western assumptions about the inherent competitive advantage of the developed economies for high skilled, high value economic activity.

The creation of world-class skills is assumed to be a route to economic prosperity, reduced income inequalities and social cohesion (Leitch Review of Skills (Final Report), 2006).

Globalization and Skills

"Already our Asian rivals are competing, not just in low-skilled manufacturing, but in high-tech products and services. Once, we worried about a global arms race. The challenge this century is a global skills race and that is why we need to push ahead faster with our reforms to extend education opportunities for all...In a globally competitive national economy, there will be almost no limits to aspirations for upward mobility. Globalization dictates that the nations that succeed will be those that bring out the best in people and their potential. And this is the new opportunity for Britain. Put simply, in the past, we unlocked only some of the talents of some of the people; the challenge now is to unlock all the talents of all of the people."

—Gordon Brown

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Servants of Globalization: Who Does the Domestic Work?

Since the 1970s, migrant labourers, especially those who perform domestic work, have been in high demand in the Middle East. Currently, approximately 10 million migrant workers, primarily from Southeast Asia, South Asia or Africa, live and work in the countries of the Arabian Gulf region. Their native countries benefit greatly from these workers' remittances and encourage migration; the host countries also benefit from cheap labour but provide almost no protection against abuse of workers by the private sector that hires them. Workers flock to the region for the promise of high salaries, but as temporary workers tied to their employers, they are frequently placed in positions of extreme vulnerability with little recourse to justice. This article argues that one solution to the problem of abuse of domestic workers is to establish and enforce a standard working contract for all domestic workers in a country.

Increased financial stability available to workers after working for several years in the Middle East may enhance a worker's social status at home and provide a means of support for children, education and investment that would be inaccessible otherwise.

Notably, the composition of the workforce has shifted markedly towards increasing feminization–the percentage of women workers in the total foreign labour force. This increase in the numbers of women in the migrant labour force is due to the demand for domestic labour, a sector in which the vast majority of workers are women.

Female workers are frequently victims of exploitation by employers, government officials and recruiters, and they are vulnerable to financial, physical and sexual exploitation that may reduce their earnings and social worth to less than they had when they arrived

Historically, domestic work in Middle Eastern countries was performed by poorer men or women from within the same country. Further, the cheap and easy availability of female domestic workers serves an important role in perpetuating the traditional societies of Arab states, by keeping the social reproductive roles of women intact and retarding the cultural evolution in male-female roles.

The imbalance created by the reliance on increasing numbers of foreigners for essential labour in the community is causing social tensions and a negative backlash in the media against heavy reliance on foreign female domestic workers on the community in general, but also on Arab women in particular. Domestic workers have become a scapegoat in the disrupted social order, such that the maltreatment of foreign female workers, whether through restriction of freedom of movement and organization, lack of coverage under labour laws, or physical, verbal, and sexual abuse, has become normalized into the structure of these societies.

Questions to Discuss

1. Are there domestic workers in your community who provide child care and other household work for middle and upper middle class households? What is the caste, ethnicity and gender of these workers? What does this tell you about the division of labour in domestic work?
2. Why do you think domestic work is so underpaid and undervalued? Are there any social changes that might result in re-evaluation of the value of this work?

Innovation

Innovation remains a crucial source of competitive advantage as mass customization has assumed greater importance in virtually all industrial sectors. The demand for constant innovation has also been fuelled by rapid technological advance and change in consumer tastes. There are increasing pressures on transnational companies to increase the speed and reduce the cost of innovation. They cannot ignore the competitive pressures to make use of intellectual arbitrage by profiting from differences in the costs of knowledge workers around the world. This is leading companies to focus on 'where to think', leading them to question the role of the appropriately named 'head' office as the primary source of corporate brain-power. It reflects other considerations such as the need for a critical mass of people who understand the organization or share the collective intelligence necessary for advanced research and development. It is also assumed to reflect the importance of embedded capabilities.

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Trade-Related Aspects of Intellectual Property Rights (TRIPS)

What is TRIPS? Ideas and knowledge are an increasingly important part of trade. Most of the value of new medicines and other high technology products lies in the amount of invention, innovation, research, design and testing involved. Films, music recordings, books, computer software and on-line services are bought and sold because of the information and creativity they contain, not usually because of the plastic, metal or paper used to make them. Many products that used to be traded as low-technology goods or commodities now contain a higher proportion of invention and design in their value—for example, branded clothing or new varieties of plants.

Creators can be given the right to prevent others from using their inventions, designs or other creations—and to use that right to negotiate payment in return for others using them. These are 'intellectual property rights', which take a number of forms. For example, books, paintings and films come under copyright; inventions can be patented; brand names and product logos can be registered as trademarks; and so on. Governments and Parliaments have given creators these rights as incentives to produce ideas that will benefit society as a whole.

The areas covered by the TRIPS Agreement:

- Copyright and related rights
- Trademarks, including service marks
- Geographical indications
- Industrial designs
- Patents
- Layout-designs (topographies) of integrated circuits
- Undisclosed information, including trade secrets

The off shoring of high-skilled jobs will increase in significance as companies gain the confidence and capability to locate high-value activities in low-cost economies. Before 2000, there was virtually no off-shoring of high-skilled work in financial services. Today, relocations involve front as well as back office functions, including financial analysis, research, regulatory reporting, accounting, human resources and graphic design.

World Trade Organization (WTO)

The World Trade Organization or WTO deals with the rules of trade between nations at a global or near-global level. Essentially, the WTO is a place where member governments go to try to sort out the trade problems they face with each other. The first step is to talk. The WTO was born out of negotiations, and everything the WTO does is the result of negotiations. The bulk of the WTO's current work comes from the 1986–94 negotiations called the Uruguay Round and earlier negotiations under the General Agreement on Tariffs and Trade (GATT). The WTO is currently the host to new negotiations, under the 'Doha Development Agenda' launched in 2001.

WTO agreements are lengthy and complex since they are legal texts covering a wide range of activities. They deal with: agriculture, textiles and clothing, banking, telecommunications, government purchases, industrial standards and product safety, food sanitation regulations, intellectual property, and much more. But a number of simple, fundamental principles run throughout all of these documents.

What are the principles of trading as enunciated by WTO? The trading system should be:

- Without discrimination—a country should not discriminate between its trading partners (giving them equally 'most-favoured-nation' or MFN status); and it should not discriminate between its own and foreign products, services or nationals (giving them 'national treatment');
- Freer—barriers coming down through negotiation;
- Predictable—foreign companies, investors and governments should be confident that trade barriers (including tariffs and non-tariff barriers) should not be raised arbitrarily; tariff rates and market-opening commitments are 'bound' in the WTO;
- More competitive—discouraging 'unfair' practices such as export subsidies and dumping products at below cost to gain market share;
- More beneficial for less-developed countries—giving them more time to adjust, greater flexibility, and special privileges.

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NATURE AND PURPOSE OF INTERNATIONAL BUSINESS

Although trade and commerce across the world has been going on since time immemorial, international business has gained greater visibility and importance in recent years. International businesses engage in transactions across national boundaries. These transactions include transfer of goods, services, technology, managerial knowledge and capital to other countries.

Few organizations start as multinational, more commonly an organization proceeds through several stages of internationalization, where each stage represents the way of conducting business with closer proximity and contact with customers in other countries.

The first stage involves exporting or selling of domestically produced goods in foreign markets. The second stage of development of a company may be by it entering into a 'licensing agreement'. Licensing is the selling of rights to market brand name products or use patented processes or copyrighted materials. Bikanerwala's, McDonald's, Nathus, Pizza Huts have expanded into international market through these processes.

Although licenses and franchisees give corporations access to foreign revenues, their role in management is limited. To gain greater say in management, organizations have to turn to direct investments. Hence, companies create a foreign subsidiary or buy controlling rights in existing foreign firms. Suzuki took over the management of Maruti by acquiring Government of India shares in the company. Therefore, Maruti is **subsidiary** of Suzuki. Volkswagen has recently acquired 20 per cent stake in Suzuki International. Hence, Volkswagen is trying to gain a say in management by direct investments.

Another option is the **joint venture**, in which domestic and foreign companies share the cost of developing new products or building production facilities in a foreign country. A joint venture may be the only way to enter certain countries where by law, foreigners cannot own businesses. Joint venture let companies pool technological knowledge and share the expense and risk that research may not produce marketable goods.

The relationships between the parent company and host country are affected by factors, some of which are unifying, while others cause a conflict.

What do we Mean by Skills?

Skills are capabilities and expertise in a particular occupation or activity. There are a large number of different types of skills and they can be split into a number of different categories. Basic skills, such as literacy and numeracy, and generic skills, such as team working and communication, are applicable in most jobs. Specific skills tend to be less transferable between occupations, which use a mix of different types of skills.

The most common measures of skills are qualifications. On-the-job training in the workplace is a vital source of skills development and career progression. The Review recognizes the importance of looking at these wider definitions of skills. For individuals, they provide portability in the labour market, allowing them to demonstrate the skills they have acquired. For employers, they provide valuable signals when recruiting new workers and also motivate employees to complete their training. Qualifications form a major part of employer recruitment strategies, especially screening candidates prior to interview. As a result, a majority of individuals prefer studying towards a qualification (National Audit Learning Survey, 2002) and over one half of employers say they would like to support their employees to gain qualifications through staff training (The Market for Qualifications in the UK, PWC, 2005).

Qualifications can be grouped into five different levels: full level 2 equates to 5 good GCSEs or their vocational equivalents, full level 3 to two or more A Levels and level 4 and above to degree level qualifications. Levels of literacy and numeracy tend to be based on surveys or on the proportion of the workforce with English or Maths qualifications.

Source: Leitch Review of Skills, Final Report (2006), p. 6

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Unifying effects occur when the parent country meets the needs of the host country in terms of managerial and technical know-how, generates employment, and assists in development of human and material resources. However, the potential of conflict could be due to many factors such as nationalistic self interest, socio-cultural differences, breakdown of communication and subsequent misunderstandings.

Distinctive Features of Transnational Corporations

A Transnational Corporation has two distinctive features. First, it accesses, organizes and coordinates multiple value added activities across national boundaries, and secondly internalizes at least some of the cross border markets for the intermediate products arising from these activities. No other institution engages in both cross-border production and transactions.

A group of eminent persons reported to the UN to remove ambiguity between 'transnational' and 'multinational' enterprises. Transnational Enterprise is used specifically to designate firms "owned and managed multinationally, [in which] decision making is centralized but free of national bias except as legally imposed. The firm loses loyalty to a single national parent. Growth is hence unimpeded by non-economic considerations except those legally imposed." The difference between general usage and UN usage is given in Figure 16.2.

	General Usage	United Nations Usage
Transnational	Ownership/Control transcending national Boundaries (i.e., multiple parenthood)	Operations/Activities across national boundaries (Uni-national boundaries (Uni-national parent).
Multi-natonal	Operational/Activities in more than one nation (i.e., uni-national parent)	Ownership/Control by nationals of more than one nation (i.e., multiple parenthood)

FIGURE 16.2 Difference between general usage and UN usage of the terms 'transnational and 'multinational'

Transnational Corporations differ in five ways:[27, 28]

(a) Depend increasingly on foreign labour and foreign production.
(b) Emphasize skills and advances in design, technology and management
(c) Depend on world markets.
(d) Depend upon massive advertising campaign.
(e) These are autonomous of national governments.

Outsourcing

Outsourcing, a major phenomenon of globalization, occurs when companies contract out activities, previously performed in-house or in-country, to foreign (usually offshore) companies globally. It refers to the process

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OECD Guidelines for MNCs

Enterprises should take fully into account established policies in the countries in which they operate, and consider the views of other stakeholders. In this regard, enterprises should:

1. Contribute to economic, social and environmental progress with a view to achieving sustainable development.
2. Respect the human rights of those affected by their activities consistent with the host government's international obligations and commitments.
3. Encourage local capacity-building through close co-operation with the local community, including business interests, as well as developing the enterprise's activities in domestic and foreign markets, consistent with the need for sound commercial practice.
4. Encourage human capital formation, in particular, by creating employment opportunities and facilitating training opportunities for employees.
5. Refrain from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to environmental, health, safety, labour, taxation, financial incentives, or other issues.
6. Support and uphold good corporate governance principles and develop and apply good corporate governance practices.
7. Develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate.
8. Promote employee awareness of, and in compliance with company policies through appropriate dissemination of these policies, including through training programmes.
9. Refrain from discriminatory or disciplinary action against employees who make *bona fide* reports to management or, as appropriate, to the competent public authorities, on practices that contravene the law, the Guidelines or the enterprise's policies.
10. Encourage, where practicable, business partners, including suppliers and subcontractors, to apply principles of corporate conduct compatible with the Guidelines.
11. Abstain from any improper involvement in local political activities.

wherein a business contracts with a third party service provider to provide services that might otherwise be performed by in-house employees of the business. Increasingly, with rapid growth of emerging global economies, the basis of competitive advantage is changing from internal capacities to network capabilities.[29,30,31] Outsourcing is more than a tool for functional value extension but strategic priority practice as it reduces operation costs and frees up assets.[32]

Typically, companies outsource those functions that are considered non-core to the business or which need specialized skills that are unavailable in the open market. Firms also move their internal manufacturing and operations to lower cost countries to seek competitive advantage. Outsourcing benefits include lower cost, more investment on core competencies, flexibility, reduction assets and complimentary capabilities. While outsourcing is associated with various benefits, it can also be serious risk factor.[33]

The global digital/knowledge economy offers unprecedented opportunities to produce and sell on a mass scale, reduce costs, and customize to the needs of consumers, all at the same time. Whether you live in large country like, US, India or China or small country such as Lithuania, your potential market is of the same global size. According to McKinsey Institute,[34] on a practical level, a BPO can be executed through several business models depending upon the processes and the company's business strateies:

(a) **Conventional Outsourcing** occurs where a company contracts with the service provider for the services over a defined period of time.

(b) **Joint Ventures** occur where the parent company partners with an offshore company to provide outsourcing services to the parent company and/or to the third parties.

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(c) **Build operate and transfer (BOT)** where the parent company engages with a service provider to establish an offshore facility, hire and train employees, transition the onshore process to the offshore operation and then run the facility and manage the workforce. The parent company then has an option, after a pre-defined period, to purchase the offshore operation.

Hofstede Studies

Dutch management scholar Geert Hofstede conducted studies and drew a conclusion between national character and employee motivation. He concluded that people vary a great deal and those variations seriously challenge the rules of effective managerial practices based on Western concepts. Hofstede (1983) cites four dimensions which he feels describe important aspect of national culture:

(a) Individualism versus collectivism. It measures the individual's relationship with other people and the degree to which the desire for personal freedom is played off against the need for social ties.

(b) Power Distance evaluates the way a particular society handles inequality among people.

(c) Uncertainty Avoidance measures how society deals with the uncertainty of the future.

(d) Masculinity versus Femininity refers to the rigidity of sex roles. Hofstede defines a society as 'masculine' if there are extensive divisions of social roles by gender, and as 'feminine' if these divisions are relatively small.

Benefits of Outsourcing

The main advantages for business to opt for outsourcing are discussed below:

1. **Cost Saving** The costs associated with an in-house employee are always higher than the cost of an outside service provider and this is the primary reason for most of businesses to opt for outsourcing non-core functions.
2. **Quality Services** Third party service providers excel at the services they provide, and businesses are guaranteed of better quality than an in-house employee would give. Additionally, service providers will always try to provide the best of services since their reputation is at stake.
3. **Access to Specialized Skills** The third party service provider is an expert at the service that it provides and keeps honing the skills of its employees to beat competition. Also, the service provider would build up specialized skills in its niche area of operation. This gives the business access to specialized skills, which may be of use in some other field of operation of the business.
4. **Contractual Obligation** The liability of a service provider is higher than that of an in-house employee. This makes working with them a safer bet for businesses.
5. **Staffing Issues** By outsourcing a non-core function, a business avoids all activities associated with recruiting and hiring staff for such non-core function.
6. **Risk Mitigation** Many a time, non-core functions may become critical and would need skilled intervention, which the organization may be lacking. At such times, if the same function is outsourced in the hands of the service provider, because of the talent pool available at the service provider's, the organization would gain by way of servicing other clients; it would be in a much better position to counter any kind of risks.
7. **Capacity Management** There may be times when the non-core function may need additional hands to meet deadlines. In such times, it would become difficult for an in-house employee to tackle

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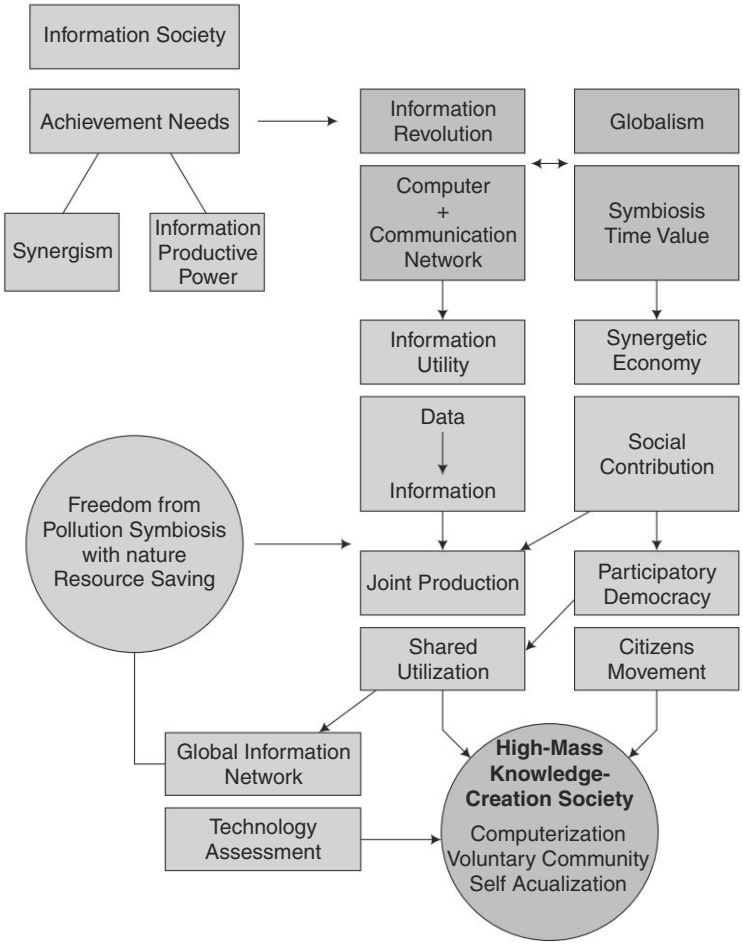

FIGURE 16.3 Image of future information society

the pressure. However, if the function is outsourced, meeting the deadline is the responsibility of the service provider. Besides, since the service provider would have a significantly large talent pool at its disposal, it can easily tide over such issues.

Figure 16.3 represents the image of future information society.

GLOBALIZATION AND ITS IMPACT ON INDIA

Every successive administration in the last decade has eventually succumbed to the pressures of globalization, suggesting that regardless of how different political formations package their policies before elections, there is a powerful and very vocal lobby for globalization in India. This is because for some sections of Indian society and the Indian diaspora, globalization has come as something of a bonanza.

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CEOs of Top Companies Earn 68 times of an Average Employee

NEW DELHI: Chief executives of India's biggest companies continue to rake in much higher salary increases than their employees. Last fiscal, the CEOs of top companies earned 68 times the average pay in their companies, up from 59 times the average pay in 2008-09, reveals an ET study.

In other words, top executives earned as much as the average annual pay of their foot soldiers in just five days last fiscal. "We are definitely headed the US way," says executive search firm Head Hunters India Managing Director Kris Lakshmikanth. In the US, top executives earn 250 times the average worker. The ratio there has been rising steadily since the 1980s, when it was in low double digits.

Such social inequality is less glaring in Europe where it is not unusual to find a CEO using public transport unlike in India or the US, says Lakshmikanth.

But even in Europe, corporate income inequality is growing. The gap between the CEO pay and the average employee pay of companies on the London Stock Exchange's benchmark index FTSE 100 grew from 47 times in 1998 to 115 times for 2009, according to a joint study by the UK-based human resource consultancy MM&K and global proxy advisor Manifest.

Washington-based think tank, the Institute of Policy Studies calculated this ratio to be 263 for S&P 500 firms in the US. There is no question in my mind that such ratios are a reflection of societal values," says Jay Lorsch, Professor of human relations at Harvard Business School.

The least unequal compensation was for infrastructure finance firm IDFC where CEO Rajiv Lall took home just over three times the average paid to the employees, most of whom are senior bankers and consultants. However, including IDFC's subsidiaries where the average salaries are much more modest, the gap expands.

The ET study calculated average employee pay by dividing total wage bill (including salary, employer's contribution to funds and welfare expenses) of the firm with the number of employees at the end of the financial year, without including subsidiaries. Many Indian companies do not disclose total employee strength in their annual report to the shareholders, so the study used a sample of one-third of firms comprising BSE 500 stock index whose workforce data is in the public domain.

Source: Extracted from *The Economic Times,* economictimes.indiatimes.com

Non Resident Indians (NRIs) are looking forward to new business opportunities in a globalized India. The English language (or even local language) media outlets who expect globalization to increase advertizing revenues have also been eager supporters of globalization. Another outcome is the huge increase in salaries of senior managers, accountants, lawyers and public relations personnel working for multinational companies or their local competitors. For the IT-literate, job opportunities have been plentiful, along with options to live and earn abroad. For the English-speaking upper middle-class, this has come as a boon. With greater access to disposable income, the seduction of consumerism becomes hard to resist. This new and more prosperous class of Indian consumers associates India's progress with the availability of the latest automobile models and consumer goods. The local availability of imported European cosmetics and fashions, imported drinks and confectioneries has become important to people.

Importers have a strong financial interest in a globalized economy. But so do exporters dependent on imported parts and machinery. Industrialists with interests in ports, shipping, international warehousing and other aspects of international trade and commerce may also see globalization as beneficial to their sectors of the economy. Indian industrialists, who have so far failed to invest in research and development and are losing the battle for market share, are becoming amenable to globalization in the hope of partnering with transnational corporations that will enable them to stabilize or expand their sinking business ventures.

Although these sections of society are, in numerical terms, a very small minority in the country, they are able to wield considerable authority because of their financial clout. Their voices are far more likely to be heard in the Indian media, and are more likely to be able to influence important political decisions in the country. Their familiarity with English and privileged access to major media outlets and institutions of higher learning, makes them appear to be more credible, and are thus able to exercise tremendous influence

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on public policy. Other sections of society may benefit only to the extent that a fraction of this new prosperity trickles down to them. Some may not benefit at all, while some may even be adversely affected.

But the greatest danger posed by unrestricted globalization is that it may exacerbate the problems of nagging poverty and uneven development, and create grave infrastructural mismatches. It is already evident that the Indian economy has become more dependent on imports, which has brought with it constant pressure on the value of the Rupee, leading to recursive bouts of high inflation. And rather than expand India's manufacturing strength and develop new capabilities and technological strength, globalization may put the country at a global disadvantage in key sectors of modern industry leading to an economy that is always chasing scientific and technological advances that occur in other nations.

Globalization and Technology Transfers

On a selective basis, globalization indeed brings in new technology. But today, almost no advocate of globalization is calling for selectivity. For instance, Coca-Cola and Pepsi were welcomed into the country even though they offered little in terms of new technology. Manufacturers of designer apparel and cosmetics have also brought in little technology of any consequence. It is similar in the case of advertising companies and manufacturers of consumer non-durable goods like soap, detergent, toothpaste, cereals, etc.

There has been significant investment in the manufacture of automobiles and consumer goods, however, the capital equipment and the assembly lines for their production are imported. So far, globalization in India has not been tantamount to an all-around technological up-gradation of Indian design and manufacturing.

While INTEL, AMD and CISCO have invested in India, the sum total of their investments has is minuscule in relation to their other investments abroad. And instead of bringing in new technology, they are actually sucking out technology from the country. All their investment has been on divisions that either develop software on demand, or provide research assistance to their US counterparts. None of them has set up any manufacturing plants in India or signed any technology transfer agreements with any Indian company. All the technology that is developed is owned and marketed by the parent company and other than the slightly higher than average salaries that accrue to a small minority of Indians working in the sector, few benefits accrue to India as a nation.

Foreign Direct Investment (FDI) in the last few years indicates that a sizeable portion of this investment has not gone into the creation of new productive capacities. Much of the investment has simply gone into takeovers of existing Indian enterprises or towards speculative investments in the Indian stock market. Moreover, other than India's 'hot' IT companies and select MNCs, the vast majority of Indian stocks have not benefited from such highly volatile FDI flows.

India in Global Outsourcing Industry

At present, India, with 44 per cent of the global offshore outsourcing market for software and back-office services, has stood as the most dominant outsourcing destination in the world. It has generated indirect employment to about 2.5 million people in support services such as transport and catering. As many as 400 of the Fortune 500 companies either have their own centers in India or are currently outsourcing work to Indian outsourcing firms. India is projected to increase its market share to 51 per cent by March 2011. Outsourcing has not only improved living conditions for millions of Indians but has also helped job-exporting countries in wealth creation. For example, the banking and financial services sectors in the US are observed to have made savings of US$8 billion in the last four years by outsourcing to India. Consulting firm McKinsey & Co. estimated that the cost of developing a new drug in the US pharmaceutical sector would be reduced by as

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Brain Drain Migration

The expression 'brain-drain migration' was popularized in the 1960s with the loss of skilled labour-power from a number of poor countries, notably India. Of particular concern was the emigration of those with scarce professional skills, like doctors and engineers, who had been trained at considerable expense by means of taxpayers' subsidies to higher education.

It is impossible for political reasons to forbid emigration. What, then, are the possible solutions to the brain drain?

1. Emigration can be delayed. Normally, delay strategies involve some element of public service. For example, doctors may be asked to stay on for two years after their training to 'pay back' what they 'owe' to society. A more sophisticated strategy is to incorporate delay within the training period, thus ensuring that certification follows rather than precedes a spell of public service. (This is the position advanced by South Africa's Minister of Health.)
2. Emigration can be inhibited either in the destination or source countries. The main constraints in the destination countries are the labour market and immigration policies, but at high skill levels another important consideration is the portability of qualifications. Increasingly, this inhibition is falling away as educational franchise operations and international certification expand. Emigration can be inhibited in the source countries by developing special privileges for scarce groups through pay incentives, enhanced research budgets and laboratory and hospital subsidies.
3. A relaxed, market-driven solution is to ignore the emigration of skilled workers and let a brain-drain from poorer countries replace lost skills.
4. A more interventionist variation of the market solution is to recruit in target countries while developing immigration incentives. (In Canada, for example, foreign doctors working in rural areas are given accelerated immigration status.)
5. It might be possible to reduce the negative effects of the brain-drain by promoting links with skilled nationals and former nationals abroad.

much as $200 million, from the currently estimated figure at between $600 million and $900 million, if the work is outsourced to India.

The phenomenon of outsourcing is spreading fast to new areas like automobile components and clinical research. Although it began with low-skilled activity such as answering routine telephone queries from customers on bank account balances, airline and hotel reservations, complaints and other sales support services, services have now expanded to cover a wide range of high-end BPO areas like telemarketing, market research, billing and collection, purchasing and disbursement, order entry, cash and investment management, tax compliance, internal audit, pay roll, etc. Legal case research, medical research testing and financial analyses are now emerging as important components of high-end outsourcing.

Social and Cultural Effects of Outsourcing

The tremendous growth of Indian call centers in the last few years has generated considerable social and cultural developments in Indian society. Both positive and negative impacts of outsourcing are visible across different aspects of social and cultural life, including language, identity, gender, and the emergence of western lifestyle.

Gender and Family

Outsourced jobs provide the possibility of flexibility in location and time and allow the workers to work from any place other than an office. Work can be carried out at home and completed at one's convenience. This makes it ideal for women workers who want to pursue their careers even when societal and familial pressures would want them to be confined to their homes.

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In India's patriarchal society, the emergence of call centers is nothing less than a social reform movement as far as economic, social and cultural empowerment of women is concerned. Call centers often prefer hiring women as they are seen to be more hard-working, patient, attentive, loyal, less aggressive, and have better interpersonal and analytical skills than men. Thus, a booming call center industry has provided employment to thousands of young women in urban locations, earning salaries that are very good by Indian standards. Urban women, who otherwise might have remained unemployed and have married off young after graduating from colleges, are now seen as assets for their families. Women employed in call centers are no longer bound by the traditional patterns of family control over daughters. Although call centers have quickly changed women's status in the family, they are slow in improving their social status.

However, the image of call centers is that of being women-friendly with zero tolerance for sexual harassment in the workplace, and doorstep transportation facilities. This is gradually changing the urban middle class's inhibitions in saying that their daughters are working in call centers.

Culture

Outsourcing based on call centres comes with a package of cultural and value systems associated with Western culture. One can argue that call centers are pivotal in bridging the cultural gap between the 'East' and the 'West'. As Indian call centres mainly serve customers from western countries, their employees are provided with opportunities and training in understanding the culture, accent, and customs existing in the outsourcing receiving countries. Call centers have provided millions of Indian youth an exposure to western culture, giving them a different perspective about life. Also, they are emerging as an attractive destination for job opportunities for foreign language professionals. A large number of foreigners work in the industry along with the local Indian youth. It is estimated that the call center industry currently employs between 20,000 to 30,000 expatriates and its potential demand for foreign professionals is estimated to be over 160,000. This reverse brain drain where people from the UK and US are coming to work in India would provide a conduit for an east-west exchange.

Multiple Personality Disorder and Other Psychiatric Problems

Call centres have a profound impact on the cultural and social behavioural patterns of young Indian people and their families. Many call center workers are reconstructed in terms of western culture, accent, language, and identity (i.e. western pseudonyms) during their 10–12 hour work shifts. At the individual level, this creates a problem called Multiple Personality Disorder. For example, the same person is divided between Sulochana and Sally, Krishnamurthy and Chris, Sahana and San, Hari and Harry, etc.

A rising number of Indian call centre and software workers complain of stress, panic attacks, depression, relationship troubles, alcoholism and eating disorders. A study by Kalyani Menon on female workers in Indian call centers states: "'Call Centre Girls' have no social life—indeed, they are hardly able to exchange more than a few words with their families, far less spend time with friends on working days. On days off, most of them do not even read the newspaper or watch anything more than mindless programmes on TV. Many of them show symptoms of bipolar disorder with going to work each day as the 'high'—when they are at home, they are listless, bad-tempered and depressed."

Racial and Cultural Abuse

Even when call center employees work for wealth creation in parent companies, they are constantly attacked with racial and cultural abuse from these countries. The very outsourcing that inspires a large youth population of a country to adopt the western culture and lifestyle is beginning to render them culturally rootless.

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They are labelled as 'terrorists', 'racially inferior', etc., ultimately deeply affecting them psychologically and culturally.

Social Divisions

Call centers contribute to creating a category of middle-class youth who are slowly being culturally alienated from the rest . New working habits and patterns of lifestyles, like working into the night, smoking, drinking, and a growing pub culture, are in complete contrast to the ways of living together, value systems, traditions and beliefs nurtured by the urban middle-class. The fear of someone always waiting to take his or her job makes it necessary to work hard. As they earn more than their parents ever did, the availability of resources makes them adopt the very lifestyle that they pretend to represent in the call centers. These issues often create family and social tensions in urban areas. Even as the call center sector experiences an unprecedented growth, the flip side of the industry cannot be overlooked. Ghazi Shahnawaz, lecturer at Jamia Millia Islamia, refers to call centers as 'neo-Taylorist standardization and automation of service work, where tasks are simplified and deskilled, providing hardly any control over work'.

Spread of Emerging Adulthood

Another consequence of outsourcing and globalization is that the timing of transition to adult roles such as work, marriage and parenthood are occurring at later stages in most part of the world and in India. The need for preparing for jobs in an economy that is highly technological and information based is slowly extending time of marriage from late teens to the mid-20s. Additionally, as the traditional hierarchies of authority weaken and break down under the pressure of globalization, the youth are forced to develop control over their lives including marriage and parenthood.

ORGANIZATIONAL STRUCTURE

There have been reforms in the organizational structure involving piecemeal changes to improve efficiency by cutting costs, using labour strategically, and new technologies which will allow more flexibility also refereed as neo-Fordist strategy. Sabel states that these only reproduce Fordist forms of low-trust, intensified work.

> "When reorganization involves the introduction of new, computer-based technologies such as numerically controlled machine tools or computer-aided design of parts, managers perceive it as a bold step towards the Fordist ideal of the rationalized factory… but if managers could step back from their work, as only few of them can do, they would see that the present reorganization reinterprets Fordism as much as it perfects it. and depending on how workers respond to these changes, could perhaps undermine the existing factory hierarchies rather than reinforce them."[35]

Flexible Firm

The changes in organization structures are highlighted in two distinct faces of flexibility—functional and numerical.

- **Functional Flexibility** is a work process factor that refers to flexibility across different kinds of production technology and workers' capacity to overlap, technical, maintenance, and production work.
- **Numerical Flexibility** is a labour market factor, and refers to employers' capacity to shed or take on the types of labour they require as market changes dictate.

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Flexible Specialization in Germany

The model *Deutschland* has been built on cooperative relationship between trade unions and employers, and deeply embedded ethics of social responsibility. It is recognized as a unique form of social and economic stability, and held up as a model that other national industrial relation system might pattern themselves on (Koch, 1999). Lane has pointed out number of features of German industrial development that link it to flexible specialization.

Surviving Craft Traditions: Germany has traditionally been a producer of customized goods for exports. The craft skills on which this form of production is based represent an alternative to mass production. The craft model is adapted and modified with skills constantly updated.

Polyvalent Skills: The craft system means that manual workers consist of predominantly skilled workers. Even in mass production, industries have drawn heavily on multi skilled workers, with a resultant emphasis on group working and labour flexibility. The 'polyvalent' skills are based on a wide range of tasks experience acquired by job rotation during training.

Product Market Strategy: German industrial strategy of producing high quality goods for export has been based on technical and design excellence, rather than low price.

1. Lane (1988) has highlighted wider features of German Industrial Culture:
2. A harmonious, 'high-trust' form of industrial relations.
3. Employers have pursued functional rather than numerical flexibility.
4. Employers have managed to maintain a 'virtuous circle' of training and investment.
5. Managers are highly qualified, having a strong predominance of professional engineering skills.

Both forms of flexibility were combined in a new organizational model developed by Atkinson,[36,37] called the 'flexible firm'. This is an attempt to combine the control and efficiency of the factory with flexibility. A 'core' of workers, who are well rewarded and secure, possess the integrated skills that the firm needs to perform its central tasks; they provide functional flexibility. Numerical flexibility is provided by a 'periphery' of workers in less secure jobs who can be hired and fired easily. These workers perform less important tasks and comprise different types of labour–temporary, part-time, agency employees, sub contractors, self employed and so on. Numerical flexibility concerns quantitative regulation of labour by means of (1) hiring and firing and use of instruments such as temporary contracts (external numerical flexibility) (2) regulating working hours among the workforce (internal numerical flexibility). The flexible firm is, therefore, adaptable to market expansion and contraction (via numerical flexibility), and to qualitative changes in the demand for new types of products (via functional flexibility).

Flexible Specialization

Piore and Sabel[38] coined the term 'flexible specialization'. It is not a specific technique like assembly line but involves linking of computer technology and flexibility. They advocated the use of programmable machines as these technologies permit customerization at low unit cost; and can also be controlled by workers, thus enhancing skills. The production process itself is reshaped, and its components remodelled to provide adaptable responses. The flexibly specialized firm utilizes a high skill labour force. Worker-management relations are high-trust and the work itself conforms to meaningful job design. Wood says:

> "The flexibly specialized firm is one which can quickly respond to sudden changes in costs, market opportunities and/ or new technologies, through adopting flexible, multi-purpose equipment and creating a flexible reintegrated and cooperative workforce free of the shackles of rigid job specifications, narrow job orientations and excessive regulation and control.'[39]

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Japan and Japanization

Japanese ascendancy as a major economic power has been attributed to many factors, among them cultural and historical. Japan was a feudal society until little more than a hundred years ago. This provided tight, vertically integrated industrial and financial structures, especially broad cultural factors with which the Japanese society seems imbued—the extreme diligence and self-sacrifice of workers, and the capacity to identify with common goals at all levels of the organization.

New forms of work organizations have been linked with Japan both, in terms of being identified with country's practices and in emergent systems as other countries have interpreted and adapted these practices in their struggle to cope with Japanese competition. Two work systems have proved the most influential:

1. Just-in-time production
2. Lean production

From a strategic perspective, the organization's fitted relationships with suppliers, customers/clients and knowledge institutions are of paramount importance. 'Total Quality Management' and 'Lean Production strategy' are among several approaches that underline inter alia value chain orientation and customer focus.[40] Regarding the internal structure, the key features comprise the division of labour, coordination mechanisms, authority relationships and control. They are central to how the management governs and changes the organization and how the employees experience their working conditions and possibilities for personal development.

Management Techniques and Practices

Management techniques are models to organize activities that are used by managers to rationalize actions they take in organizations. A management technique generates a management practice when it contributes to shaping rules and methods of work.

In **High Performance Work Systems (HPWS)**, the management focuses upon extensive employee involvement in operational decision-making as a means to harness the potential of people and improve the performance of the organization. Employees in a HPWS are expected to experience greater autonomy over their job tasks and methods of work and have more control of communication about work matters with other employees, functional specialists, managers, and in some instances, with vendors and/or customers. In addition human resource practices are also important.[41] Employees in a HPWS require more skills to do their job successfully and many of these are firm-specific. Effective HPWS require three basic components—opportunity for substantive participation in decisions, appropriate incentives and training and selection policies that guarantee an appropriately skilled workforce. In the **Socio-technical Systems Design** (STSD) (De Sitter 1982) attention shifts from working groups to the organization as a whole. STSD thereby formulates a set of design rules for a structure of division of labour that have a positive effect on the performance of the organization as well as the quality of working life. In modern STSD coping with the complexity of the organization occupies an important position. A central design principle building upon system theory[42] holds that organizations must create a number of variation options, equal to those present in its environment. The more complex the environment, the more complex must be the organization.

The practice of **Lean Production and Administration** has made its headway in many countries since the 1990s. The aim has been improved performance measured by profits and/or new product development. Lean may be defined as applying a number of principles or seen as taking a series of practical steps. There is a close connection between the HPWS literature and the literature on lean production. Drawing upon Womack

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Lean Production

Womack et al. (1990) in their book The Machine that Changes the World popularized the management system called 'lean production'. The heart of this system was the elimination of waste. Toyota Company was the birth place and the most important agent of developing and disseminating this new style of management. It involved attention to shop-floor details and the workers' responsibility for quality. Supply chain coordination was another aspect of Toyota's success. Suppliers were organized into functional tiers, with first-tier suppliers working closely with the assembler on production improvements and responsible for organizing a second-tier suppliers, and so forth.

Other elements of lean production matrix emphasized progressively trying to eliminate or minimize buffer stocks, work-in-progress, and the rework of materials, in order to permit only activities that add value and not costs.

'McDonaldization' at Workplace

Ritzer outlines five dominant themes within this McDonaldization process: Efficiency, Calculability, Predictability, Increased Control, and the Replacement of Human by Non-human Technology.

Efficiency

Efficiency implies choosing of means to reach a specific end rapidly, with the least amount of cost or effort. The idea of efficiency is specific to the interests of the industry or business, but is typically advertised as a benefit to the customer. The interesting element here is that the customer often ends up doing the work that previously was done for them. And the customer pays for the 'privilege'. We end up spending more time, being forced to learn new technologies, remember more numbers, and often pay higher prices for the business to operate more efficiently (maintain a higher profit margin).

Calculability

"(This) involves an emphasis on things that can be calculated, counted, quantified. Quantification refers to a tendency to emphasize quantity rather than quality. This leads to a sense that quality is equal to certain, usually (but not always) large quantities of things." (Ritzer 1994:142)

Predictability

Predictability refers to the attempt to structure our environment so that surprise and differentness do not encroach upon our sensibilities. Rational people need to know what to expect. Shopping is predictable in the mall, the same stores, and often the same layout. Our lives are structured and controlled; we go through the motions on auto-pilot.

Control through the Substitution of Nonhuman for Human Technology

Ritzer's discussion combines these last two elements of the McDonaldization process. Specifically, replacement of human by nonhuman technology is often oriented towards greater control. Everything is pre-packaged, pre-measured, automatically controlled. The human employee is not required to think, just follow the instructions and push a button now and then things are already weighed and labelled . "The next step in this development is to have the customer do the scanning,..." (Ritzer 1994:150). We accept the "infallibility" of the computerized check-out. What this means is that the skills and capabilities of the human actor are quickly becoming things of the past. Who we are and how we interact is becoming defined by our dependence upon and subordination to the machine.

and Jones who initiated the Lean wave, the lean principles can be condensed to "precisely specify value by specific product, identify the value stream for each product, make value flow without interruptions, let the customer pull value from the producer, and pursue perfection".[43] **Total Quality Management (TQM)** covers a broad field of management practices. Important aspects include underlying values of the nature of quality and limits to quality, focus upon customer—supplier relationships and structures and processes securing

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High Reliability Organization—Mindfulness

Karl Weick refers to the High Reliability Organization (HRO), which would include a nuclear power plant, firefighting unit, or an aircraft carrier. HROs operate under very trying conditions all the time but have fewer accidents than other organizations. Weick says that the key difference is their sensitivity to cues, a quality he calls 'mindfulness'. It enables individuals in HROs to react to very weak indicators of change or danger and take strong and decisive action.

Skilled operators in nuclear power plants have scrupulous attention to small changes, are constantly updating their 'work memories' or their 'internal' cognitive models of the system they are interacting with. This in turn facilitates management of the unexpected.

HROs are also committed to resilience and are sensitive to operations. The attention is focused on the 'frontline', the place where the work is done. Managers of HROs defer to the expertise of individuals on the frontline and refuse to simplify reality. The heart of Weick's notion of HRO is 'sense making', constantly updating and testing the way someone is reading a panel in the control room of a nuclear plant. It is the transformation of raw data into an intelligible model of what is going on in an environment. The rational ideal is to plan everything rather than think of the unexpected.

the chosen quality level. A TQM strategy is expected to revise, improve and optimize each of the internal procedures and processes of an enterprise. Quality is assumed to arise from optimal process design. There is an emphasis on the importance of everyone in the organization being involved as every step or job process is seen as an opportunity to eliminate error or waste, and to improve the output of the organization.[44] Thus, the management concept of **continuous improvement processes** (CIP) is often seen as an essential part of the implementation of a quality management system (ISO 9001). The aim of CIP as a management concept is to improve the quality of both, the products and the technical and organizational processes of an enterprise in small yet continuous steps. It is understood as an organization-wide, ongoing learning process of focused and sustained incremental innovation.[44,46]

As a management practice **Human Resource Management (HRM)** is an older concept than the previous ones. In contrast to these practices which underline the strategic importance of direct coping with the environment, the HRM regards the human factor as the most important element in creating competitiveness, efficiency and quality. This is done with reference to psychological, social-psychological and organizational theories and methods developed over more than 50 years, and concentrated around the relationship between the individual and the organization. Important dimensions of HRM comprise employee commitment, development of human resources and 'restructuring and job redesign to allow devolved responsibility and empowerment'. From the start both 'hard' and 'soft' models have been developed. The 'hard' models emphasize the strategic and rational approach to managing resources, while the 'soft' models emphasize the utilization and development of humans, based on consensus and commitment.[47] The effects of adopting a wider set of complementary HRM practices including compensation systems, training and careers on performance have been analytically in focus during the last decade. However, there are different views on what practices should be included. [48]

MANAGEMENT OF ORGANIZATION

The management of organizations is fundamentally a question of managing the interrelationships between the actors inside the organization as well as between insiders and outsiders. From this perspective, processes of information and knowledge, communication, and mutual learning come to the fore. These processes are

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central to organizational learning and the learning organization. While organizational learning focus on the informal situated and collective learning processes based on experience in the so called 'communities of practice',[49] the learning organization identifies structural and cultural traits promoting learning and establishing relations between individual, group and organizational level, without a cohesive conceptualization of the learning process.[50] Both these include some general traits possible to capture through survey instruments, which have in common that they speed up both, adaptation and innovation.

1. The first trait is a limited number of levels in the vertical hierarchy.
2. The second is vertical and horizontal communication supported by interdivisional teams and/or by job rotation across division borders.
3. The third related trait is the delegation of responsibility and situated learning.
4. A fourth trait relates to external interaction and a network positioning balancing bonding (long term relationships) and bridging (repositioning and fluid relationships).

Just-in-Time Production

Just in time (JIT) production combines flexibility with volume by ideally producing only the amount in each stage of production necessary to complete the next stage. JIT can be defined as a system of delivering the exact quantity and defect-free quality of parts just in time for each stage of production. The basic feature of the system includes:

1. **A Pull System** This is achieved by **kanban** system of parts control. **kanban** principles can be observed in very simple systems of components rack. When a **kanban** rack is emptied by the forward worker using the component, this activates production by the rear worker to replenish it.
2. **Total Quality Management** A JIT system has to be operated with the reciprocal concept of total quality. This means defect-free supply of parts and materials of 100 per cent quality.
3. **Stockless Production** Reducing buffer stocks ideally to zero is a key of JIT. Being a pull system very low buffer stocks can be maintained.
3. **Supply Relationship** JIT principles also extend to upstream suppliers of the firm. This means smaller, more frequent deliveries, synchronized with the main plant's production. The ideal is line-side deliveries, which go straight into production.

Adam Smith and the New Order of Industrial Capitalism

The Classical Liberals of whom the most well known is undoubtedly Adam Smith, author of *The Wealth of Nations*, supported the new economic order of industrial capitalism. Smith, whose definitive work was published in 1776 well before the industrial revolution hit its stride, made common the notion that governments should assume a more hands-off approach to governance. Recognizing that industrial technology would allow for capitalism to create, not just redistribute wealth, Smith thought it natural that capitalism be free to function of its own accord.

Indeed, a laissez-faire approach to economics was, in Smith's view, essential to ensure prosperity for the nation as a whole. In this, Smith rejects mercantilism (government supervision of the economy) as the best means by which a country may prosper. On the contrary, at the fore of Smith's concern was the creation of wealth, a process that he believed would be most efficiently rendered when free trade and free markets were allowed to allocate resources. Ultimately, when capitalism is allowed to run its course, the greed and self-interest of the capitalists would produce results in the economy that benefit not only the individual, but society as well.

Smith's ideas certainly fit in with the new economic order of industrial capitalism. Smith, in *The Wealth of Nations*, claims that the "greatest improvement in the productive powers of labor" seems to ensure full employment; by raising or lowering its spending and taxes and by controlling its investment spending, the government can proactively influence equilibrium, virtually guaranteeing that it will occur near or at full employment (Gregory, 1999, p. 106).

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Neo-liberal Globalization and Anti-globalization

What has been described as globalization is in fact only one possible variant of globalization—the neo-liberal one, described by Chomsky (2000) as 'a particular form of globalization, that has been instituted by state and corporate power, with primacy given to the rights of investors, financial institutions and so on, and with people being incidental'.

In the 1980s and 1990s,during the dominance of a neo-liberal 'free trade' agenda within the WB, IMF that emphasized public sector reform, privatization, deregulation, and residualized public welfare provision; and the establishment of new international governmental organizations concerned with global trade and finance (WTO). For these reasons, globalization is perhaps most often used to denote profound transformations to capitalism over the past several decades, including the opening up of non-capitalist countries and markets to capitalist values, institutions, and social relations. Globalization in India has affected the government policy towards welfare of its citizens by reducing subsidies, opening up market and reduction in taxes on imported items.

However, this globalization has not gone uncontested. There have been anti-austerity protests opposing IMF-imposed structural adjustment programmes and drawing on a wide range of national and international social movements, including environmental, development, labour, and consumer movements, and the 'anti-globalization movement'. The reaction can also be seen in the growth of campaigns to regulate the practices of Transnational Corporations in areas such as sweatshops, environmental impact, and the introduction of new technologies such as genetically modified (GM) foods. Many of these campaigns are organized on a transnational basis using the same technological advances, such as the Internet, that are exploited by the corporations whose activities they oppose. Other reactions to globalization include the growth of right-wing anti-immigration politics in Europe and North America and the global growth of nationalistic, ethnic, and xenophobic movements, while globalization has also spurred the growth of religious fundamentalist movements.

In this connection, making use of modern Information and Communication Technologies (ICT) is an important choice as underlined by the Kok Report (2004).[51] ICTs are tools (equipment and software) that are used to produce, process, transmit and store information. An important prerequisite for an effective use of ICT is social acceptance of exchange and a proactive behaviour among the organization's actors. Knowledge Management tackles the problems of data accumulation, diffusion, and implementation. The fundamental problem in knowledge management is to transfer and transform knowledge between the different types of knowledge and between different levels from an individual to collective level in the organization.

Changes in management techniques and practices and the attached structures and processes signal organizational innovations to the extent they are used for the first time by the organization and express significant changes. In an organizational context, individuals may display inertial behaviour because organizational changes can disrupt the "organizational truce"[52] on the one hand, and reduce the discretionary power they obtained within the organization, on the other. Another barrier is difficulties of learning new ways of work and 'unlearning' old ones.[53] Finally time and budget restrictions and lack of slack are well known obstacles.

Organizational Flexibility

Flexibility is generally associated with team work, autonomous work teams and flat hierarchies. Firms aiming at achieving a high degree of functional flexibility, however, need to offer incentives to the employees to mobilize their tacit knowledge. Both use of numeric and functional flexibility are important in relation to the more general discussion of 'flexicurity'. A leading idea of flexicurity is that there is not necessarily a tradeoff between flexibility and security. A balanced interaction between flexibility and security may create a win-win situation for employers and employees. Preece[54] proposed the concept of structural flexibility, which

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User Application of Microtechnology

Computer-based System

Mainframe computers, Central servers, Personal computers, Local and Wide area Networks

Office Information System

Word processing, E-mail, Tele Conferencing, Management Information System (MIS)

Service Sector Applications

Call Centers: Automated Call Distribution Systems; Retail: Electronic Point of Sales (EPOS), Computerized Stock Sales; Airlines/ Travel: Customer Reservation Systems (CRS); Financial Services: Electronic Fund transfer, automated teller machines (ATMs), branch automation systems, cash management systems.

Industrial machinery Automation

Advanced Robots, Advanced manufacturing technologies, Computer Numerically Controlled (CNC); Computer Aidedmanufacturing (CAM), Computer Aided Design (CAD), Computer Aided Engineering (CAE), Computer Aided production planning (CAPP), continuous process monitoring and control.

Industry Specific Applications

Telecommunications:

Telecommunications: Computerized exchange equipment; Printing, Photo Typesetting, Media

is concerned with the extent to which the structure of an organization enables or hinders responsiveness of members of the organization to change. This change could be initiated from within the organization itself or it could be a reactive change in response to changes in the environment of the organization.[55]

TECHNOLOGY AT WORKPLACE

Here, we refer to the entire technical process. In spite of all the drumming of displacement of workers, etc., technology has brought in a counter trend, one that accounts for technology as a liberating and energizing force. It emphasizes the importance of advanced forms of automation for upgrading skills and occupational status of those who work with it. American Sociologist Robert Blauner in his *Alienation and Freedom* (1964)[56] contrasted the existence of critically different types of work environment in modern industry, craft technology, machine-minding, mass assembly, and continuous process technology. From his findings, the worker alienation seem to be minimum in craft technology; while both machine minding and mass assembly technologies seem to maximize. Workers in these industries were powerless in the face of constant pressure and lacked any choice over work methods. Jobs were repetitive and meaningless, people were isolated from co-workers, and the work itself provided no feeling of pride or self esteem. In the process industry, alienation declined once more, workers in these settings were often technically qualified and their jobs involved the monitoring the entire operations. Their work carried responsibility and they tended to identify with the efficient running of the plant. Blauner stated that the responsibility of automated production confers a new sense of dignity and worth on manual production.[57]

New Technology and Microelectronics

The beginning of new industry can be traced with the development of the transistor and development of semiconductors that was a crucial step in miniaturization of components. In 1971, the general-purpose logic chip, or micro processor was introduced, which impacted nearly all industries. Application of microprocessors in industry are given below.

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SUMMARY

In this chapter, we have discussed new technology, IT and its impact on work, society and culture. While industrial society was for mass production and big factories, the new revolution is all about knowledge and flow of knowledge. The centrality of knowledge is all important.

The Information Technology has changed the pattern of work into flexible work, work from home, etc. Work, now, is based on customer requirements and specifications and this has impacted every facet of life. This, however, does not call for a large migration of population.

KEY TERMS

Digital divide
Information society
Post-industrial society
Remote working
Triple concept of human society

REVIEW QUESTIONS

1. Discuss the various definitions of 'globalization' that you have encountered over the last few years.
2. Argue both, for and against the existence of globalization as a real contemporary phenomenon.
3. What are the challenges to social policy in the study of globalization?
4. Does globalization inevitably lead to a 'race to the bottom' in social standards?
5. What are the groups, organizations, and institutions that influence social policy globally? Illustrate your answer with an example from one policy area.
6. Are global influences on social policies a recent phenomenon associated only with globalization?
7. Discuss, drawing on this chapter and your own knowledge and experience, some possible social consequences of globalization.
8. Outline four ways in which your knowledge and understanding of social policy as a field of academic study and a political practice is extended by a globalization perspective.
9. What do you understand by information society? What are its major characteristics of?
10. What is the triple concept of human society? Explain.
11. Define 'network' societies and discuss their unique features.
12. How has work changed in information? Explain with examples.
13. What is the positivist view of technology? Give a few examples.
14. Which are the main industrial sectors where computer-based technologies are being used? Which industrial and commercial processes are being automated?
15. Why do firms invest in new technologies?
16. Do new technologies up-skill or de-skill workers?
17. What is the importance of employee welfare? What actions have been taken by the Government of India for employee welfare?
18. What do you understand by 'flexible firm'? Discuss.

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19. Write short notes on:
    (a) Right to Information Act 2005
    (b) Internet subversion
    (c) Interactive media
    (d) Surveillance Society

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Glossary

Absolute poverty A standard of poverty based on a minimum level of subsistence below which families should not be expected to exist.

Achieved status A social position attained by a person largely through his or her own efforts.

Activity theory An interactionist theory of aging that argues that elderly people who remain active will be best-adjusted.

Affirmative action Positive efforts to recruit minority group members or women for jobs, promotions, and educational opportunities.

Ageism A term coined by Robert N. Butler to refer to prejudice and discrimination against the elderly.

Agrarian society The most technologically advanced form of preindustrial society. Members are primarily engaged in the production of food but increase their crop yield through such innovations as the plow.

Agreements

- **Bipartite** An agreement arrived at between the management and the workmen on their own without any interference from Government under section 18(1) is referred to as bipartite settlement.
- **Tripartite** Tripartite agreement is arrived at during conciliation proceedings before the conciliation officer and is referred to as tripartite settlement. This covers all workmen present and future and all unions even if they are not a party to the settlement. This is called 12(3) settlement.

Alienation The condition of being estranged or disassociated from the surrounding society.

Anomie Durkheim's term for the loss of direction felt in a society when social control of individual behavior has become ineffective.

'A form of social breakdown in which the norms would otherwise prevail in a given environment cease to operate.'

Anomie theory of deviance A theory developed by Robert Merton that explains deviance as an adaptation either of socially prescribed goals or of the norms governing their attainment, or both.

Anticipatory socialization Processes of socialization in which a person 'rehearses' for future positions, occupations, and social relationships.

Anti-globalization movement Transnational movement against neo-liberal globalization which unites a variety of international and national movements, such as the environmental, development, labour, and consumer movements. It has received most publicity for attempts to disrupt summits of MEIs and IGOs; also known as the global justice movement.

Apartheid The former policy of the South African government designed to maintain the separation of Blacks and other non-Whites from the dominant Whites.

Aristocracy A term for upper-class, referring specifically to those associated with inherited wealth and nobility. Aristocracy is thus associated with titles, ancestral homes, and the landed gentry. Today the upper-class also includes rich entrepreneurs and, to some extent, celebrity 'jet set'.

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Ascribed status A social position 'assigned' to a person by society without regard for the person's unique talents or characteristics.

Assimilation The process by which a person forsakes his or her own cultural tradition to become part of a different culture.

Associate An affiliate in which the parent has a non-controlling, or 'minority', interest.

Authority Power that has been institutionalized and is recognized by the people over whom it is exercised.

Bilingualism The use of two or more languages in particular settings, such as workplaces or educational facilities, treating each language as equally legitimate.

Birthrate The number of live births per 1,000 population in a given year; also known as the crude birthrate.

Bourgeoisie Karl Marx's term for the capitalist class, comprising the owners of the means of production.

Branch or branch office Branch or branch office is a local office of the parent company that operates at home or abroad and has no independent or corporate status.

Bureaucracy A component of formal organization in which rules and hierarchical ranking are used to achieve efficiency.

Bureaucratization The process by which a group, organization, or social movement becomes increasingly bureaucratic.

Business process outsourcing It is generally defined as the transfer of the control of the business process to external suppliers. BPO deals with differentiated activities, such as finance and accounting, procurement and supply, customer relations' management, human resources, security and so forth. BPO can be executed through several business models depending upon the processes and the company's business strategies;

- **Conventional outsourcing** occurs where a company contracts with the service provider for the services over a defined period of time.
- **Joint ventures** occur where the parent company partners with an offshore company to provide outsourcing services to the parent company and/or to the third parties.
- **Build operate and transfer (BOT)** occurs where the parent company engages with a service provider to establish an offshore facility, hire and train employees, transition the onshore process to the offshore operation and then run the facility and manage the workforce. The parent company then has an option, after pre-defined period to purchase the offshore operation.

Capitalism An economic system in which the means of production are largely in private hands and the main incentive for economic activity is the accumulation of profits.

Castes Hereditary systems of rank, usually religiously dictated, that tend to be fixed and immobile.

Causal logic The relationship between a condition or variable and a particular consequence, with one event leading to the other.

Census An enumeration or counting of a population.

Charismatic authority Max Weber's term for power made legitimate by a leader's exceptional personal or emotional appeal to his or her followers.

Class A term used by Max Weber to refer to a group of people who have a similar level of wealth and income. Also can be said as "a grouping of individuals with similar positions and similar political and economic interests within the stratification system".

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Class Structure according to Kerbo's:

1. Upper Class: "Families high in property ownership, with high authority flowing form such ownership." Examples are the Ambani's, Tata's and Godrej.
2. Corporate Class: "People with high authority and power in major corporations (and often government), usually without extensive ownership in these corporations."
3. Middle Class: "Those with relatively little property, but high to middle positions in occupation (nonmanual labor) and authority."
4. Working Class: "People with little or no property, middle to low positions in occupation (manual labor), and little or no authority."
5. Lower Class: "Those individuals with no property, who are often unemployed and have no authority."

Class consciousness In Karl Marx's view, a subjective awareness held by members of a class regarding their common vested interests and need for collective political action to bring about social change.

Classical theory An approach to the study of formal organizations that views workers as being motivated almost entirely by economic rewards.

Class system A social ranking based primarily on economic position in which achieved characteristics can influence mobility.

Closed system A social system in which there is little or no possibility of individual mobility.

Coalition A temporary or permanent alliance geared toward a common goal.

Code of ethics The standards of acceptable behavior developed by and for members of a profession.

Colonialism The maintenance of political, social, economic, and cultural dominance over a people by a foreign power for an extended period of time.

Community A spatial or political unit of social organization that gives people a sense of belonging, based either on shared residence in a particular place or on a common identity.

Concentric-zone theory A theory of urban growth that sees growth in terms of a series of rings radiating from the central business district.

Conflict perspective A sociological approach that assumes that social behavior is best understood in terms of conflict or tension between competing groups.

Conformity Going along with one's peers, individuals of a person's own status, who have no special right to direct that person's behaviour.

Considered design These aim to reduce environmental impact by reducing waste, using environmentally sustainable materials, and eliminating toxins in manufacturing processes and the product itself.

Consumption It is the appropriation of the product by humans for their individual benefit. Analytically, it is a component of the production process, seen from the reverse side.

Contact hypothesis An interactionist perspective that states that interracial contact between people of equal status in cooperative circumstances will reduce prejudice.

Control theory A view of conformity and deviance that suggests that our connection to members of society leads us to systematically conform to society's norms.

Corporate social responsibility It is commitment to improve community well-being through discretionary business practices and contributions of corporate resources.

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Corporate social initiative It is major activities undertaken by an organization or a corporation to support social causes and to fulfil commitments to corporate social responsibility.

Correspondence principle A term used by Bowles and Gintis to refer to the tendency of schools to promote the values expected of individuals in each social class and to prepare students for the types of jobs typically held by members of their class.

Counterculture A subculture that deliberately opposes certain aspects of the larger culture.

'Cradle-to-Cradle' life cycle The concept in which products or their components can be used again and again with zero waste.

Crime A violation of criminal law for which formal penalties are applied by some governmental authority.

Cultural relativism The viewing of people's behaviour from the perspective of their own culture.

Culture The totality of learned, socially transmitted behaviour.

Deindustrialization The systematic, widespread withdrawal of investment in basic aspects of productivity such as factories and plants.

Demographic transition A term used to describe the change from high birth rates and death rates to relatively low birth rates and death rates.

Demography The scientific study of population.

Deviance Behaviour that violates the standards of conduct or expectations of a group or society.

Differentiated green This phrase describes companies that have moved beyond complying with regulations, reducing their energy use, or marketing ecologically safe products. Such companies make pro-environment policies the corner-stone of their business and a defining corporate strength.

Diffusion The process by which a cultural item is spread from group to group or society to society.

Disciplinary power Foucault's notion that, in modern societies, power and control were not some imposed structure, but was dispersed in all social relations. Power is sustained by 'discipline' such as regimes of professional expertise and technologies of surveillance.

Discovery The process of making known or sharing the existence of an aspect of reality.

Dominant ideology A set of cultural beliefs and practices that helps to maintain powerful social, economic, and political interests.

Dyad A two-member group.

Dynamic equilibrium A constantly changing balance among the parts.

Dysfunction An element or a process of society that may disrupt a social system or lead to a decrease in stability.

E-commerce Numerous ways that people with access to the Internet can do business from their computers.

Economic system The social institution through which goods and services are produced, distributed, and consumed.

Education A formal process of learning in which some people consciously teach while others adopt the social role of learner.

Egalitarian family An authority pattern in which the adult members of the family are regarded as equals.

Elite model A view of society as ruled by a small group of individuals who share a common set of political and economic interests.

Environmental justice A legal strategy based on claims that racial minorities are subjected disproportionately to environmental hazards.

Esteem The reputation that a particular individual has earned within an occupation.

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Ethnic group A group that is set apart from others because of its national origin or distinctive cultural patterns.

Ethnocentrism The tendency to assume that one's culture and way of life represent the norm or are superior to all others.

Experience is the action of humans on themselves, determined by the interplay between their biological and cultural identities, and in relationship to their social and natural environment. It is constructed around the endless search for the fulfilment of human needs and desires.

Experiment An artificially created situation that allows the researcher to manipulate variables.

Experimental group Subjects in an experiment that is exposed to an independent variable introduced by a researcher.

Exploitation theory A Marxist theory that views racial subordination in the United States as a anifestation of the class system inherent in capitalism.

Export/exporting Selling of domestically produced goods in foreign markets.

Export processing zone A government-designated area for foreign businesses to manufacture goods and commodities destined for export. Companies operating in them enjoy limited tariff, tax, and labour regulations; working conditions are characterized by minimal rates of pay and insecure, temporary employment, mostly of women.

Expressiveness A term used by Parsons and Bales to refer to concern for maintenance of harmony and the internal emotional affairs of the family.

Extended family A family in which relatives—such as grandparents, aunts, or uncles–live in the same home as parents and their children.

Face-work A term used by Erving Goffman to refer to the efforts of people to maintain the proper image and avoid embarrassment in public.

False consciousness A term used by Karl Marx to describe an attitude held by members of a class that does not accurately reflect its objective position.

Familism Pride in the extended family, expressed through the maintenance of close ties and strong obligations to kinfolk.

Feminism The term 'feminism' is used to describe a political, cultural or economic movement aimed at establishing more rights and legal protection for women. Feminism involves political and sociological theories and philosophies concerned with issues of gender difference, as well as a movement that advocates more gender-specific rights for women and campaigns for women's rights and interests (Cornell, 1998).

Folkways Norms governing everyday social behaviour whose violation raises comparatively little concern.

Force The actual or threatened use of coercion to impose one's will on others.

Foreign direct investment Financial capital transfer from one country to another for investment in production of goods or services.

Formal norms Norms that generally have been written down and that specify strict rules for punishment of violators.

Formal organization A special-purpose group designed and structured for maximum efficiency.

- **Normative organizations** such as civic causes (political campaigns, religious organizations, Rotary Clubs, etc.), that people join voluntarily and without financial compensation because they believe the cause is worthy.

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- **Utilitarian organizations** are formed by people who join to gain some material benefit. Taking a job at a bank or hospital constitutes joining a utilitarian organization (Etzioni, 1975).

Franchise A type of licensing arrangement in which a company sells a package containing a trademark, equipment, materials, and managerial guidelines.

Functionalist perspective A sociological approach that emphasizes the way that parts of a society are structured to maintain its stability.

Gemeinschaft A term used by Ferdinand Tönnies to describe close-knit communities, often found in rural areas, in which strong personal bonds unite members.

Gesellschaft A term used by Ferdinand Tönnies to describe communities, often urban, that are large and impersonal with little commitment to the group or consensus on values.

Global governance Commonly refers to multilateral institutional architecture of public and private, governmental and non-governmental, regulation of global social, political, and economic life.

Goal displacement Overzealous conformity to official regulations within a bureaucracy.

Gross National Income Gross National Income (GNI) per capita based on purchasing power parity (PPP). PPP GNI is gross national income converted to international dollars using purchasing power parity rates GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. Data are in current international dollars.

Group Any number of people with similar norms, values, and expectations who interact with one another on a regular basis.

- **Command group** is determined by the organizational chart. It is composed of the sub-ordinates who report directly to a given manager.
- **Task groups** or project teams are usually formed to solve a problem or perform an activity that involves a number of organizational units.

Hawthorne effect An increase in worker productivity produced by the psychological stimulus of being singled out and made to feel important The unintended influence that observers or experiments can have on their subjects.

Head office or headquarter is the seat of central organization of an enterprise, normally located in the 'home' state of the parent company but sometimes established in 'tax havens' or 'profit sanctuaries such as Bahamas and Liechtenstien.

Health As defined by the World Health Organization, a state of complete physical, mental, and social well-being, and not merely the absence of disease and infirmity.

Health maintenance organizations (HMOs) Organizations that provide comprehensive medical services for a pre-established fee.

Horizontal mobility The movement of an individual in an organization from one position to another of the without affect of status or position.

Horticultural societies Pre-industrial societies in which people plant seeds and crops rather than subsist merely on available foods.

Host state (sometimes also referred to as capital investing state) is the nation of origin of any foreign direct investment (normally represented in form of affiliate of a foreign parent company). Any state can be simultaneously both 'home' and 'host' state in its foreign investment transactions.

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Human development index is a summary measure of a country's human development. It measures the average achievements in a country in three basic dimensions.

- A long and health life, as measured by life expectancy at birth;
- Access to knowledge, as measured by the adult literacy rate and the combined gross enrolment ratio in education; and
- A decent standard of living, as measured by GDP per capita in purchasing power parity (PPP) US dollars.

Human ecology An area of study concerned with the interrelationships between people and their spatial setting and physical environment.

Human relations approach An approach to the study of formal organizations that emphasizes the role of people, communication, and participation within a bureaucracy and tends to focus on the informal structure of the organization.

Hunting-and-gathering society A pre-industrial society in which people rely on whatever foods and fiber are readily available in order to live.

Ideal type A construct or model that serves as a measuring rod against which specific cases can be evaluated.

Impression management A term used by Erving Goffman to refer to the altering of the presentation of the self in order to create distinctive appearances and satisfy particular audiences.

Incidence The number of new cases of a specific disorder occurring within a given population during a stated period of time.

Income Salaries and wages.

Industrial city A city characterized by relatively large size, open competition, an open class system, and elaborate specialization in the manufacturing of goods.

Influence The exercise of power through a process of persuasion.

Informal social control Social control carried out by people casually through such means as laughter, smiles, and ridicule.

Information society A new form of social existence in which the storage, production, flow, etc. of networked information plays the central role.

Information society studies An area of science that emerged in the 1990s for the systematic study of information society issues and its 'translation' into higher education curricula.

In-group Any group or category to which people feel they belong.

Innovation The process of introducing new elements into a culture through either discovery or invention.

Institutional discrimination The denial of opportunities and equal rights to individuals and groups that results from the normal operations of a society.

Institutionalized It means that 'a system of layered hierarchy has been established'.

Interactionist perspective A sociological approach that generalizes about fundamental or everyday forms of social interaction.

International Governmental Organizations (IGOs) Organizations formed by governments and operated by international civil servants. Includes the United Nations**,** MEIs such as the IMF and the World Bank, and regional formations such as the EU and SAARC.

International Non-governmental Organizations (INGOs) Part of the international voluntary sector, INGOs are non-governmental organizations based mainly in Western countries which operate in a variety

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of countries, sometimes in co-operation with local and national NGOs, often delivering government aid in emergency situations. Recent decades have seen the growth of super INGOs such as Oxfam and Save the Children, which dominate their areas of operation.

International Labour Organization (ILO) It was founded in 1919 and became the first UN specialized agency in 1946. The ILO produces international labour standards in the form of conventions and recommendations, provides technical assistance, and promotes the development of employers' and workers' organizations. It is governed by a tripartite structure in which workers, employers, and governments co-operate as equal partners.

Interest group A voluntary association of citizens who attempt to influence public policy.

International Monetary Fund (IMF) Set up in 1944 to promote international monetary stability by supervising monetary and exchange rate policies, it provides loans to countries with balance of payment difficulties.

Iron law of oligarchy A principle of organizational life developed by Robert Michels under which even democratic organizations will become bureaucracies ruled by a few individuals.

Joint venture Business undertaking in which foreign and domestic companies share the cost of building production or research facilities in foreign countries.

Kinship The state of being related to others.

Labelling theory An approach to deviance that attempts to explain why certain people are viewed as deviants while others engaging in the same behaviour are not.

Laissez-faire A form of capitalism under which people compete freely, with minimal government intervention in the economy.

Language An abstract system of word meanings and symbols for all aspects of culture. It also includes gestures and other non-verbal communication.

Law Governmental social control.

Legal-rational authority Max Weber's term for power made legitimate by law.

Licensing The selling of rights to market brand-name products or to use patented processes or copyrighted material.

Looking-glass self A concept used by Charles Horton Cooley that emphasizes the self as the product of our social interactions with others.

Luddites Rebellious craft workers in nineteenth-century England who destroyed new factory machinery as part of their resistance to the industrial revolution.

McDonaldization Creation of increasingly homogenized international mass culture through the adoption of the global culture of mass consumerism accompanied by the abandonment of national, local, and indigenous cultures; often used as a synonym for Americanization.

Macrosociology Sociological investigation that concentrates on large-scale phenomena or entire civilizations.

Mahalanobis model of growth It suggested that emphasis on heavy industries would lead the economy towards a long term higher growth path.

'Majority owned' It means that the subsidiary's parent company holds 50–94 percent of the voting stock; 'minority-owned', 5–49 per cent, 'wholly owned', 95 percent or more (see Vaupel and Curhen 1969; The Making of Multinational Enterprise, Boston: Harvard Business School, Ch 3, as cited in Vernon, 1971; Sovereignty at Bay, the Multinational Spread of US Enterprises, London: Longman, p. 141).

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Marxisant pessimism It sees globalization as the latest stage of capitalism, driven by constant search for increased profitability, leading to homogenization of culture through commodification. Claims transnational corporations' increasing control of the world economy leads to decline in the power of the state and organized labour.

Master status A status that dominates others and thereby determines a person's general position within society.

Material culture The physical or technological aspects of our daily lives.

Microsociology Sociological investigation that stresses study of small groups and often uses laboratory experimental studies.

Minority group A subordinate group whose members have significantly less control or power over their own lives than the members of a dominant or majority group have over theirs.

Modernization The far-reaching process by which a society moves from traditional or less-developed institutions to those characteristic of more-developed societies.

Modernization theory A functionalist approach that proposes that modernization and development will gradually improve the lives of people in peripheral nations.

Monopoly Control of a market by a single business firm.

Mores Norms deemed highly necessary to the welfare of a society.

Multilateral Economic Institutions (MEIs) Exemplified by the IMF and the WB, these are believed to have increasing influence on national economic and social policy formation, in particular through conditionalities attached to loan programmes.

Multi-linear evolutionary theory A theory of social change that holds that change can occur in several ways and does not inevitably lead in the same direction.

Multinational corporations Commercial organizations that are headquartered in one country but do business throughout the world.

Multiple-nuclei theory A theory of urban growth that views growth as emerging from many centres of development, each of which may reflect a particular urban need or activity.

Natural science The study of the physical features of nature and the ways in which they interact and change.

Negative duty A negative duty is a social actor's obligation to protect others' rights by abstaining from actions that can harm others.

Negotiated order A social structure that derives its existence from the social interactions through which people define and redefine its character.

Negotiation The attempt to reach agreement with others is concerning some objective.

Neocolonialism Continuing dependence of former colonies on foreign countries.

Neo-liberalism A political philosophy of competitive individualism which calls for minimal state involvement in economic and social regulation, associated with the emergence of the New Right (Reagan and Thatcher) in the 1980s and exemplified in the 'Washington consensus'.

New urban sociology An approach to urbanization that considers the interplay of local, national, and worldwide forces and their effect on local space, with special emphasis on the impact of global economic activity.

Newly industrializing countries (NICs) These mainly refer to countries in East and Southeast Asia and Latin America, which industrialized during the 1970s and 1980s, emphasizing production for export markets under state guidance.

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Nonmaterial culture Cultural adjustments to material conditions such as customs, beliefs, patterns of communication, and ways of using material objects.

Non-verbal communication The sending of messages through the use of posture, facial expressions, and gestures.

Normalizing judgement Discipline through imposing precise norms ('normalization').

Norms Established standards of behaviour maintained by a society.

Nuclear family A married couple and their unmarried children living together.

Obedience Compliance with higher authorities in a hierarchical structure.

Objective method A technique for measuring social class that assigns individuals to classes on the basis of criteria such as occupation, education, income, and place of residence.

Observation A research technique in which an investigator collects information through direct participation in and/or observation of a group, tribe, or community.

Open system A social system in which the position of each individual is influenced by his or her achieved status.

Out-group A group or category to which people feel they do not belong.

Parent company It is a company with ownership and control of foreign direct investment, normally through 'affiliated' companies in two or more 'host' countries/states.

Plural pragmatism It sees globalization as a long-term process, resulting in greater interdependence of national economies, driven by a variety of forces, including technological, ideological, and cultural ones. In this view, local and national factors continue to be of importance in mediating the impact of global forces.

Pluralism Mutual respect between the various groups in a society for one another's cultures, which allows minorities to express their own cultures without experiencing prejudice.

Pluralist model A view of society in which many competing groups within the community have access to governmental officials so that no single group is dominant.

Political socialization The process by which individuals acquire political attitudes and develop patterns of political behaviour.

Post-industrial city A city in which global finance and the electronic flow of information dominate the economy.

Post-industrial society A society whose economic system is primarily engaged in the processing and control of information.

Post-modern society A technologically sophisticated society that is preoccupied with consumer goods and media images.

Power It is the action of humans on other humans to impose their will on others, by the use, potential or actual, of symbolic or physical violence. Institutions of society are built to enforce power relationships existing in each historical period, including the controls, limits, and social contracts, achieved in the power struggles.

Pre-industrial city A city with only a few thousand people living within its borders and characterized by a relatively closed class system and limited mobility.

Prestige The respect and admiration that an occupation holds in a society.

Production It is the action of humankind on matter (nature), to appropriate it and transform it for its benefit by obtaining a product, consuming (unevenly) part of it, and accumulating the surplus for investment, according to socially decided goals.

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Proletariat Karl Marx's term for the working class in a capitalist society.

Protestant ethic Max Weber's term for the disciplined work ethic, this-worldly concerns, and rational orientation to life emphasized by John Calvin and his followers.

Qualitative research Research that relies on what is seen in the field or naturalistic settings more than on statistical data.

Quantitative research Research that collects and reports data primarily in numerical form.

Questionnaire A printed research instrument employed to obtain desired information from a respondent.

'Race to the bottom' The thesis that in response to a perceived threat to their industrial competitiveness, states are likely to engage in behaviour which results in the lowering of social and labour standards in order to attract new or retain existing investment.

Random sample A sample for which every member of the entire population has the same chance of being selected.

Reference group Any group that individuals use as a standard in evaluating themselves and their own behaviour.

Relative deprivation The conscious feeling of a negative discrepancy between legitimate expectations and present actualities.

Relative poverty A floating standard of deprivation by which people at the bottom of a society, whatever their lifestyles, are judged to be disadvantaged in comparison with the nation as a whole.

Reliability The extent to which a measure provides consistent results.

Religion According to Émile Durkheim, a unified system of beliefs and practices relative to sacred things.

- **Religious beliefs** Statements to which members of a particular religion adhere.
- **Religious experience** The feeling or perception of being in direct contact with the ultimate reality, such as a divine being, or of being overcome with religious emotion.
- **Religious rituals** Practices required or expected of members of a faith.

Representative sample A selection from a larger population that is statistically found to be typical of that population.

Regionalization It can be conceived as the growth of societal integration within a given region, including the undirected processes of social and economic interaction among the units. As a dynamic process, it can be best understood as a continuing process of forming regions as geopolitical units, as organized political cooperation within a particular group of states.

Resocialization The process of discarding former behaviour patterns and accepting new ones as part of a transition in one's life.

Resource mobilization The ways in which a social movement utilizes such resources as money, political influence, access to the media, and personnel.

Role

- **Role conflict** Difficulties that occur when incompatible expectations arise from two or more social positions held by the same person.
- **Role exit** The process of disengagement from a role that is central to one's self-identity and reestablishment of an identity in a new role.
- **Role strain** Difficulties that result from the differing demands and expectations associated with the same social position.

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- **Role taking** The process of mentally assuming the perspective of another, thereby enabling one to respond from that imagined viewpoint.

Sacred Elements beyond everyday life that inspire awe, respect, and even fear.

Sanctions Penalties and rewards for conduct concerning a social norm.

Sapir-Whorf hypothesis A hypothesis concerning the role of language in shaping cultures. It holds that language is culturally determined and serves to influence our mode of thought.

'Sceptic internationalism' It rejects globalization, believing that international economy is best described as involving transactions between distinct national economies. Accepts the state's control has diminished in some areas but argues that it has increased in others.

Science The body of knowledge obtained by methods based upon systematic observation.

Scientific management approach Another name for the classical theory of formal organizations.

Secondary group A formal, impersonal group in which there is little social intimacy or mutual understanding.

Sect A relatively small religious group that has broken away from some other religious organization to renew what it views as the original vision of the faith.

Secularization The process through which religion's influence on other social institutions diminishes.

Segregation The act of physically separating two groups; often imposed on a minority group by a dominant group.

Self According to George Herbert Mead, the sum total of people's conscious perceptions of their own identity as distinct from others.

Self-fulfilling prophecy The tendency of people to respond to and act on the basis of stereotypes, leading to validation of false definitions.

Sexism The ideology that one sex is superior to the other.

Sexual abuse Behaviour of coercing sex through threats, intimidation or physical force, forcing unwanted sexual acts or forcing sex with others.

Sexual harassment Behaviour that occurs when work benefits are made contingent on sexual favours (as a 'quid pro quo') or when touching, lewd comments, or appearance of pornographic material creates a 'hostile environment' in the workplace.

Significant others A term used by George Herbert Mead to refer to those individuals who are most important in the development of the self, such as parents, friends, and teachers.

Single-parent families Families in which there is only one parent present to care for children.

Slavery A system of enforced servitude in which people are legally owned by others and in which enslaved status is transferred from parents to children.

Small group A group small enough for all members to interact simultaneously, that is, to talk with one another or at least be acquainted.

Social change Significant alteration over time in behaviour patterns and culture, including norms and values.

Social control The techniques and strategies for preventing deviant human behaviour in any society.

Social epidemiology The study of the distribution of disease, impairment, and general health status across a population.

Social inequality A condition in which members of a society have different amounts of wealth, prestige, or power.

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Social informatics A strongly interdisciplinary research field exploring the macro- and micro-levels of information society and the social issues pertaining to telecommunication and computing.

Social institutions Organized patterns of beliefs and behaviour centred on basic social needs.

Social interaction The ways in which people respond to one another.

Social issues Social issues are political debates involving moral judgments about how people should live.

Social movement Social movements are an organized effort to encourage or discourage some dimension of social change.

Social policy Social policy is a formal strategy to shape some aspect of social life.

Social problems Social problems are societal-induced conditions that harm any segment of the population. Social problems are also related to acts and conditions that violate the norms and values found in society.

Socialism An economic system under which the means of production and distribution are collectively owned.

Socialization The process whereby people learn the attitudes, values, and actions appropriate for individuals as members of a particular culture.

Social Differentiation It occurs 'when we find people with distinct individual qualities and social roles'. 'An increased division of labour means more differentiation'.

Social inequality It is the condition whereby people have unequal access to valued resources, services, and positions in society. Social inequality often emerges from social differentiation for two basic reasons:

1. Because of the human capacity to apply meaning to events and things, to develop judgements of what is 'good,' 'bad,' or preferable, social evaluation is often applied to differences.
2. Some roles of social positions place some people in a position to acquire a greater share of valued goods and services.

Social mobility Movement of individuals or groups from one position of a society's stratification system to another; 'individual or group movement within the class system'.

- **Vertical mobility**—'the movement of individuals up and down the class system'
- **Horizontal mobility**—'movement across positions of roughly equal rank'

Social movements Organized collective activities to bring about or resist fundamental change in an existing group or society.

Social network A series of social relationships that links a person directly to others and therefore indirectly to still more people.

Social role A set of expectations of people who occupy a given social position or status.

Social science The study of various aspects of human society.

Social stratification It means that 'inequality has been hardened or institutionalized, and there is a system of social relationships that determines who gets what, and why'.

Social structure The way in which a society is organized into predictable relationships.

Societal-reaction approach Another name for labelling theory.

Society A fairly large number of people who live in the same territory, are relatively independent of people outside it, and participate in a common culture.

Socio-cultural evolution The process of change and development in human societies that results from cumulative growth in their stores of cultural information.

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Sociological imagination An awareness of the relationship between an individual and the wider society or is the ability to see societal patterns that influence the individual as well as groups of individuals.

Sociology The systematic study of social behaviour and human groups.

Squatter settlements/chawls/slums Areas occupied by the very poor on the fringes of cities, in which housing is often constructed by the settlers themselves from discarded material.

Status It is a 'rather ambiguous term … used to indicate positions in a social structure' or 'something like position within a hierarchy'. The criterion of 'status' consists of 'occupational prestige, or the popularly ranked esteem and respect associated with high to low occupational attainment'.

Status group A term used by Max Weber to refer to people who have the same prestige or lifestyle, independent of their class positions.

Stereotypes Unreliable generalizations about all members of a group that do not recognize individual differences within the group.

Stigma A label used to devalue members of deviant social groups.

Stratification A structured ranking of entire groups of people that perpetuates unequal economic rewards and power in a society.

Subculture A segment of society that shares a distinctive pattern of mores, folkways, and values that differs from the pattern of the larger society.

Subsidiary It is an affiliate in which the parent company has controlling, or 'majority', interests.

Suburb According to the Census Bureau, any territory within a metropolitan area that is not included in the central city.

Symbols The gestures, objects, and language that form the basis of human communication.

Systems thinking In systems thinking, social entities such as societies or organizations are viewed as if they were self regulating bodies exchanging energy and matter with their environment in order to survive.

Technology Information about how to use the material resources of the environment to satisfy human needs and desires.

Technological enthusiasm It conceives of globalization as transnationalization of world economy, driven by developments of information and communication technologies, resulting in the creation of a borderless world as transnational corporations (TNCs) and multilateral economic institutions (MEIs) grow in influence relative to declining state power.

Telecommuters Employees who work full-time or part-time at home rather than in an outside office and who are linked to their supervisors and colleagues through computer terminals, phone lines, and fax machines.

Theory In sociology, a set of statements that seeks to explain problems, actions, or behaviour.

Total institutions A term coined by Erving Goffman to refer to institutions that regulate all aspects of a person's life under a single authority, such as prisons, the military, mental hospitals, and convents.

Trade unions Organizations that seek to improve the material status of their members, all of whom perform a similar job or work for a common employer.

Traditional authority Legitimate power conferred by custom and accepted practice.

Trained incapacity The tendency of workers in a bureaucracy to become so specialized that they develop blind spots and fail to notice obvious problems.

Transnational enterprise It is 'used specifically to designate firms 'owned and managed multinationally [in which] decision-making is centralized but free of national bias except as legally imposed. The firm loses loyalty to a single national parent. Growth is hence unimpeded by non-economic considerations except those legally imposed'.

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Transnational corporations (TNCs) Also known as multinational corporations (MNCs), These are large business enterprises which have operations in a variety of countries. They increasingly dominate the world economy and international trade and are seen as operating outside the control of national governments. A small number of them have annual turnovers greater than the GDP of many nations.

Unilinear evolutionary theory A theory of social change that holds that all societies pass through the same successive stages of evolution and inevitably reach the same end.

Urban ecology An area of study that focuses on the interrelationships between people and their environment.

Urbanism Distinctive patterns of social behaviour evident among city residents.

Value neutrality Max Weber's term for objectivity of sociologists in the interpretation of data.

Values Collective conceptions of what is considered good, desirable, and proper or bad, undesirable, and improper in a culture.

Variable A measurable trait or characteristic that is subject to change under different conditions.

Vertical mobility The movement of a person from one social position to another of a different rank.

Vested interests Veblen's term for those people or groups who will suffer in the event of social change and who have a stake in maintaining the status quo.

Violence against women The United Nations Declaration on the Elimination of Violence against Women (1993) defines violence against women as 'any act of gender-based violence that results in, or is likely to result in, physical, sexual or psychological harm or suffering to women, including threats of such acts, coercion or arbitrary deprivation of liberty, whether occurring in public or in private life'.

'Washington consensus' It is a neo-liberal consensus that emphasizes privatization, economic and social deregulation, public sector reform, and residualized welfare provision as the formula for economic growth. There are claims that this has given way to a 'post-Washington consensus' which emphasizes the need for limited regulation, targeted poverty reduction, and 'smart' conditionalities.

Wealth An inclusive term encompassing all of a person's material assets, including land and other types of property.

Welfare convergence The thesis that as states become powerless to make 'real' policy choices, governments will be forced to adopt similar economic, fiscal, and social policy regimes — whatever the national institutional context and welfare state model. This is expected to entail the abandonment of comprehensive, universalist redistributive welfare states and their replacement by market-conforming, deregulated, privatized, and residualized welfare systems.

White-collar revolution Jean Gottmann used this expression for the title of chapter 11 of his book Megapolis, published in 1961; it is the first analytical description of information society.

World Bank (WB) or The International Bank for Reconstruction and Development It was set up in 1944 to promote economic development in the developing world through providing loans for programmes and projects which assist economic development but for which no private finance can be found.

World Health Organization (WHO) It was established in 1948 as the UN specialist agency on health whose objective is the highest possible level of health for all peoples. It is governed by its 192 member states through the World Health Assembly.

World Trade Organization (WTO) It was set up in 1995 to promote international trade, with executive and legal powers recognized in international law to enforce international trade and investment law and to adjudicate in international trade disputes.

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Appendix

Survey of Research in Industrial Sociology in India

Between the year 1988–2002, a total of 3,596 studies were conducted in the field of sociology. Of these, only 105 covered the field of Industrial Sociology, The contribution has been made not only by sociologists but also by scholars from other discipline, and foreigners (especially by Dutch scholars under the Indo-Dutch Programme of The Indian Council of Social Science Research). Most of the work has been carried out in Gujarat. The review suggests that the studies include work in informal sector, the functions of multinational companies (MNCs), changing role of unions, gender disparity in the workforce, and India's participation in the new phenomenon of outsourcing. Significant work has been carried out in the field of management strategy and related problems. The survey of 51 organizations revealed that employees of the organizations were concerned with job security, safety, and monetary benefits. [Atal, Yogesh (Ed.) (2009), *Sociology and Social Anthropology in India,* The Indian Council of Social Science Research, Pearson Education.]

Bhowmik carried out a study on the research of Industrial Sociology in India [Bhowmik, Sharit K. (1982), 'Survey of Research in Industrial Sociology' in Atal, Yogesh (Ed.) (2009), *Sociology and Social Anthropology in India*, The Indian Council of Social Science Research, Pearson Education]. It is available on www.esocialsciences.com.

The research has been carried out in the following areas:

- Industrial Organisation and Structure
- Enterpreneurship Studies
- Studies on Labour Markets
- Works and Technology
- Labour in the Formal (Organised) Sector
- Changing Role of Trade Unions in the Formal Sector
- Worker Co-operatives
- Labour in Plantations
- Studies on Voluntary Retirement
- Labour in the Informal Sector
- Working in the Informal Sector
- Industrial Restructing and Informal Work
- Organising the Unorganised
- Social Security
- Women and Work
- Child labour

The Survey of Bhowmik covers the period 1988–2002. Major research after 2002 is listed below:

1. Ahmad, Imtiaz; Ghosh, Partha and Reifield Helmut (Eds.), *Pluralism and Equality, Values in Indian Society and Politics,* New Delhi: Sage Publications.
2. Banerjee, Debdas (2005), *Globalisation, Industrial Restructuring and Labour Standards: Where India Meets the Global,* New Delhi: Sage Publications.

The McGraw·Hill Companies

3. Barik, Bibhuti Bhushan, (2008), *Invisible Work and Income of Indian Farm Women,* Agra: S.R. Scientific Publishers.
4. Begum, S. Mumtai (2007), *Work Participation and Labour Supply of Married Women in Madurai District: Determinants and Constraints,* New Delhi: Indian Council of Social Science Research.
5. Breman, Jan and Shah, Parthiv (2004), *Working in the Mill No More,* Delhi: Oxford University Press.
6. Chibber, Vivek (2007), 'Into the Fold: Labour's Incorporation in the Indian Political economy'. In Phelan, Craig (Ed.) (2006), *Future of Organized Labour: Global Perspectives,* Oxford University Press (deals with labour organizations, trade unions and globalization).
7. Datt, Ruddar (2003), *Lockout in India,* New Delhi: Manohar Publishers (deals with lockouts, with Case Studies on West Bengal).
8. Gaur, Anita (2005), *Analytical Study of Girl Child—With Special Reference to The National Capital,* New Delhi: Indian Council of Social Science.
9. Goldfield, Michael and Banerjee, Debdas (Eds.), *Labour, Globalization and the State,* Routledge.
10. Herath, Gaminis; Sharma, Kishore and Gall, Gregor (2007), Child labour in South Asia. In Herath, Gaminis, Sharma, Kishore (Eds.), *Child labour in South Asia,* Hampshire: Ashgate Publishing.
11. Jerome, Joseph (2004), *Industrial Relations*, New Delhi: Response Books.
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16. Murty, M.N. and Kumar, Surender (2004), *Environmental and Economic Accounting for Industry,* New Delhi: Oxford University Press.
17. *Panchamukhi, P.R. and Annigeri, V.B. (n.d.), Human Resource in the Electronics Industry: A Case Study of Bangalore,* New Delhi: The Indian Council of Social Science Research.
18. Pathak, Vandana (2002), 'Comparative Study of Labour Management Relation Development of Industry (with special reference to UPRV Nigam, Anpara and Hindalco), Varanasi: Mahatma Gandhi Kashi Vidyapeeth.
19. Paddison, Ronnan (2001), *Handbook of Urban Studies*, India: Sage.
20. Annapurna, Shaw (ed), 2007, *Indian Cities in Transition*, Hyderabad: Orient Longman.
21. Sivananthaniran, A. and Venkata Ratnam, C.S. (2002), *Labour and Social Issues in Plantations in South Asia: Role of Social Dialogue,* New Delhi: International Labour Organization (deals with employer employee relations in tea plantations).
22. Subrahmanian, K.K. (2006), *Handicrafts Industry in Kerala: Blending Heritage with Economics,* Delhi: Daanish Books.
23. Unni, Jeemol and Rani, Uma (2008), *Flexibility of Labour in Globalizing India: The Challenge of Skills of Technology,* New Delhi: Tulika Books.
24. Upadhya, Carol and Vasavi, A.R. (2008), *In an Outpost of Global Economy: Work and Workers in India's Information Technology Industry,* London: Routledge.

The McGraw·Hill Companies

Index

A
Accountability 227
Action Approach/ Theory 14, 29
Adjudication 283
Administrative / Legal Environment 193
Agriculture
  Role of in Industrial Revolution 59
Agriculture Societies 46
Ain-e-Akbari 4
Analytical Narratives in Industrial Sociological Analysis 13
Ancient Cities
  Characteristics of 59
Anomie 24
Anti-globalization 370
Arbitral 325
Arthashastra 4
Artisan Panchyats 98
Assembly Line 64

B
Bankers in India 99
Barriers for Effective Communication 184
  Emotions 185
  Filtering 184
  Information Overload 185
  Language 185
  Selective Perception 185
'Bhadralok' 252
Bipartite 332
Body Language 180
Bonus 286
Borrowing Machines 66
Brain Drain Migration 362
Brooding 178
Build Operate and Transfer 358
Bureaucracy 128
  Dysfunctions 130
  Essential Characteristics 33, 128
  'Ideal' versus 'Real' Bureaucracy 129
  Sociological Significance of Bureaucracies 129
Business Ethics – International 226
Business Ethics – Principles 228

C
Capitalist Economic System 193
Caroll's Model of CSR 199
Case Laws 325
Caste System at Work Place 252
Central Industrial Relations Machinery (CIRM) 281
Centralization of Discipline 320
Chakraborty Framework of Values 219
Changes in Society and their Impact on Human Values 209
Changing Nature of Work 340
Chief Labour Commissioner's (Central) 281
Chief Labour Commissioner's (Central) [CLC(C)] Organisation 281
Child Labour 256
Class Systems 243
  Lower Class 245
  Middle Class 245
  Upper Class 245
Code of Conduct 320
Code of Discipline in Industry 323, 330
Cohesion in a Group 164

The McGraw·Hill Companies

Collective Agreements 325
Collective Bargain 300
  Advantages 305
  Approaches 302
  Bargaining Agent 307
  Concept 300
  Definition 301
  Essential Features 304
  Government Perspectives 304
  Importance 304
  Outsiders in Collective Bargaining 307
  Position of – India 307
  Preconditions 305
  Prerequisites 305
Commitment 222
Committees in Industry
  Functions 166
  Reasons for using Committees 167
  Types 166
Common Morality 220
Communication
  Barriers for Effective Communication 185
  Changes – Types of Societies 175
  Conditions for Effective Communication 176
  Direction of 179
  Distortion of 177
  Functions 175
  Motivation 176
  Through the Ages 174
Communication Apprehension 186
Communication Channels – Choice off 184
Communication Process 177
Community Relationship 201
Computer Aided Communication – Impact of 183
Conformity 155, 156
Consumerism 247
Contingency Theory 14, 29
Continuous Improvement Processes (CIP) 368
Controlling Work Strategy – Taylor's 268
Coomarswamy, Anand K. 339
Cooperatives 134
Corporate Culture – Consequences of Hidden Values 132
Corporate Social Performance 200
  Components 201
  Definition 201
  Outcomes 201
Corporate Social Responsibility (CSR) 197
  Implementation 199
  Mechanism 199
  Need 198
Corruption 227
Critical Theory 37
Culture 363
Cyber Ethics 226

D

Debunking 7
Decision Making 186
  Characteristics' of Organizational Decision Making 186
Decision Making Models 187
  Bounded Rationality and Heuristic Model 187
  Consensus 187
  Embedded Models 187
  Individual Decision Making 187
  Rationality Models 187
Decline in Influence of Religion 254
Democracy 217
Denial 178
Deskilling 32
Digital Divide 345
Directive Principles of State policy – Guiding Factors Influencing State Policy 276
Discipline 320
  Approaches 322
  Nature 320
  Objective 320
  Principles 320
  Problems that Result in 321
  Purpose 320
Diversity 227
  Role of 8
  Unity in 8
Division of Labour 77, 238

The McGraw·Hill Companies

Domestic System 53
Donalson's Obligations for Corporations 224
Downward Communication 179
Dunlop's Approach or Systems Model 275
Durkheim – Human Relation 24

E
Ecological Environment 194
Economic 351
Economic Consequences of Industrialization 249
  Enactment of Laws 249
Employment Contract 249, 326
Employment Relationship – Adam Smith 265
Enclosures or Inclosure 49
  Role of in Industrial Revolution 59
Enmeshment 347
Environment – Components of 191
Ethical Decision Making 224
Ethical Organizations – Basic Elements 225
Ethical Standards – Sources 213
  Common Good Approach 213
  Fairness or Justice Approach 213
  Rights Approach 213
  Utilitarian Approach 213
  Virtue Approach 213
Ethical Values Relevant to Public Officials 212
Ethics 209, 210
Exploitation 31

F
Factory System 47, 52
  Characteristics 53
  Forerunners 47
  Impact off 54
Fair Competition 213
Family – Change in Institution of 253
Feedback
  Fear off 178
Feminism 35
Feudal System 47
Fishnet Organizations 139
Fixed Capital 53
Flexible Firm 364
  Functional Flexibility 364
  Numerical Flexibility 364
Flexible Specialization 365
Flexible Work 344
Focus Group 167
Follet, Mary Parker – Principles of Organization 24
Formal Organization 127
Foucault and Disciplinary Power 326
Free Capital 54
Freedom of Association 281
Functionalism 22
  Spencer's Functionalist Approach 23
Functionalist Sociology 14
Functions of a Group
  Individual 152
  Organizational 152

G
Gandhian Way of Industrialization 113
  Swadeshi – Home Economy 114
  Swaraj – Economic Independence 113
  Trusteeship 115
Gemeinschaft 237
Gesellschaft 237
Gherao 288
Global Perspective 8
Globalisation 345
  Concept 346, 347
  Effect 347, 349
  Servants 353
  Skills 352
  Technology Transfer 361
Grapevine 163, 182
Green 194
Grievances 327
  Causes 327
  Definition 327
  Procedures 328
Groups
  Advantages and Disadvantages 153
  Cohesion 156

The McGraw·Hill Companies

Development 153
Dynamics 157
'Entitativity' or 'Groupness' 157
Functions 50
Goals 156
Interaction 154
Interdependence 155
Jarlath Benson List of Attributes of a Group 152
Key Dimension 154
Norms 155
Roles 156
Size 155
Structure 155
Think 166
What is 151
Guild 50
Decline of 51
Functions 50

H

Hamal Panchyat 306
Handicraft Systems 50
Henry Fayol's 14 Principles 23
High Performance Work Systems (HPWS), 366
High Reliability Organization 368
Hofstede Studies 358
Hotdesking 344
Human Relations 26, 219
Hunting and Gathering Societies 45

I

Ideology
Critical Concept 76
Disruptive Concept 76
Fabianism 77
the Rightist 76
Impersonal Discipline 321
Impression Management 154
Indian Industry
Ancient Period (up to 750 AD) 91
Guild System 93
Medieval Period (750 to 1757 AD) 95
Modern Period 97
Indian Industry in the Past 90
Individualism 245
Industrial Disputes 285
Industrial Disputes Act 1947 292
Industrial Organization
Concept 122
Meaning 122
Principles 123
Industrial Relations
Areas of Concern 273
Birth 265
Concept 266
Definition 266
International Factors 279
Measures for Improving 291
National and Industry Level 280
Objectives 267
Role of Indian Government 277
Scope 267
Industrial Relations in India 288
Industrial Relations Policy 288
Industrial Revolution 58
Around the World 66
Features in United States 63
History 58
Impact on Society 61
Impact on Traditional Economies 62
Impact on Work 62
Impact on the World 67
Individual Spirit for Profit and its Impact 60
Role in Urbanization 62
Role of British Government 60
Role of Coal 60
Role of Iron 60
Role of Steam Engine 60
Social Impact 68
United States 63
Industrial Society 235, 245
Definition 235

The McGraw·Hill Companies

Industrial Sociology
Aim 5
Common Sense 11
Concepts 7
Definition 5
Development of 13
Empirical Discipline 5
Foundations of 17
Journalism 11
Nature 9
Pedagogic Limits 17
Scope 8
Study of 9
Industrial Sociology and Anthropology 15
Industrial Sociology and Political Economy 15
Industrial Sociology and Political Science 15
Industrial Sociology and Sociology 14
Industrial Sociology vis-à-vis History 15
Industrial Sociology vis-à-vis Psychology and Biology 15
Industrial Work
Nature of 79
Industrialization 59
Consequences 236
Definition 59
Origin 59
Spread in Europe 65
Industrialization – Consequences 236
Capitalism 236
Change in Nature of Work 238
Density 241
Division of Labour 238
Heterogenity 241
Increase in Urban Polpulation 240
Individual Autonomy 239
Kinship – Gemeinschaft and Gesellschaft 237
Literacy – Abstract Symbolic Instruments 242
Managerial and Clerical Revolution 239
Mass Society 238
Money – Abstract Symbolic Instruments 242
Ownership and Control 239
Planning and Control 237
Political 236
Rational Bureaucracy 241
Urbanization and Mental Life 239
Work for Salary 239
Industrialization in India after Independence 102
Five Year Plans 103
Indira Gandhi's Era (Mid 1960s to Mid 1970s) 107
Industrial Policy Resolution 1948 103
Industrial Policy Resolution 1956 106
Industrial Policy Statement 1973 108
Industrial Policy Statement 1977 108
Industrial Policy Statement 1980 109
Industrial Policy Statement 1991 110
Monopolies and Restrictive Trade Practices (MRTP) Act, 1969 107
Navratnas 112
Nehru's Industrial Policy 105
Planning Commission 104
'Mahalanobis' Model of Growth 105
Maharatna 113
Industrialization in India during Eighteenth and Nineteenth Century 100
Coal Mines and Mining 100
Cotton Industry 101
Iron and Steel 101
Paper 101
Plantation Industries 101
Post and Telegraph
Railways 101
Industry
Forces that tend to Organize and Perpetuate Industry 9
What is 5
Inefficiency 321
Informal Groups 161
Cohesiveness 163
Communication 163
Formation of 162
Leadership of Informal Work Groups 162
Norms or Values (Unspoken Rules) 165
Information Society 341
Characteristics 341
Definition 341

The McGraw·Hill Companies

In-groups and Out-groups 162
Innovation 354
Institutional Values Framework 214
Interactional Conflict 35
International Business 355
International Labour Organization 279
Interpersonal Communication 180
  Non-verbal Communication 180
  Oral Communication 180
  Written Communication 180
ISO 26000 Guidance Standards on Social Responsibility 203

J
Jajmani System – Division of Labour 95
Japanese Cooperate Model 135
Jealousy 178
Job Security 312
Joblessness 79
Joint Consultative Machinery 283
Joint Stock Investment Banks 66
Joint Venture 355
Journalism 11
Just in Time (JIT) Production 369

K
Karkhanadars 99
Karkhanas 96

L
Labelling 35
Labour Enactments in India 293
Labour Movement 267
Labour Party 268
Labour Process Theory 32
Labour Standards in India 302
Labour – the Second National Commission 283
Laissez – faire 61
Lateral Communication 179
Laws Controlling Social Activities 10
Lean Production and Administration 366
Learning Organizations 142
Legislations in Industrial Relations/ Collective Bargaining 325
Leisure
  Concept of 83
Line and Staff 124
  Line Managers 124
  Staff 124
Lockouts 287

M
Manorial System 48
  Definition 48
  Impact of Population Displacement 50
  Origin of Small Local Industry 48
  Social Characteristics 48
Marriage – Change in the Institution 254
Marxist Approach to Industrial Relations 276
Master Artisans 98
McDonaldization 367
Mechanistic Structures 128
Mergers and Acquisitions 144, 145
Metropolis and Mental Life 240
Middle Class – Evolution of New Class 250
Migration 250, 349
Mixed Economy 193
Model Grievance Procedure 330
'Modernity' or 'Modernization' 36
Mooney and Relliey Principles of Organization 24
Moral Values 218
Morality of Care 222
Multi Unionism 309
Multiple Personality Disorder 363
Muqaddamah 4
Mutual Aid 220

N
National Commission on Labour 329
National Conservation Strategy and Policy Statement on Environment Development 196
  A Notification on Coastal Regulation Zone, 1991 196
  Central Forestry Board 196
  Central Pollution Control Board and State Pollution Control Boards 196

The McGraw·Hill Companies

Forest Survey of India (FSI) and the Wildlife Institute of India (VAI) in addition to the existing organizations like Botanical Survey of India (BSI) and Zoological Survey of India (ZSI) 196
Indian Board of Wildlife 196
Indian Council of Forestry Research and Education with specialized institutions for research in and zone, forestry, moist and deciduous forests, wood technology, genetics and tree breeding and deciduous forests 196
National Land-use and Wasteland Development Council 196
National Museum of Natural History, Centre for Environmental Education, Institute for Himalayan Environment and Development and Centres of Excellence in specialized subject areas are among the various institutions set-up 196
National Wastelands Development Board 196
The Air (Prevention and Control of Pollution) Act, 1981, amended in 1988 196
The Environment (Protection) Act, 1986 196
The Forest (Conservation) Act, 1980, amended in 1988 196
The Motor Vehicle Act, 1938, amended in 1988 196
The Public Liability Insurance Act, 1991 196
The Water (Prevention and Control of Pollution) Act, 1974, amended in 1988 196
The Water (Prevention and Control of Pollution) Cess, Act, 1977, amended in 1991 196
The Wildlife (Protection) Act, 1972, amended in 1983, 1986 and 1991 196
National Policy for Empowerment of Women (2001) 253
Natural Justice 321
Nature – Respect for 222
Negative Discipline Approach 322
Negotiated Order 35
Neo-liberal Globalization 270
Network Societies and Flows 344
New Inequality – Characteristics of 258
New Work 341
Non malovence 220
Norms 165
Nouveau riche 245

O

Occupation 81
Occupational Roles 82
OECD Guidelines for MNCs 357
Oligarchy in Organizations 131
Open Communication – Importance of 188
Open Door Policy 328
Organic Conception of Industry 9
Organic Solidarity 25
Organic Structures 127
Organizational Communication 181
Computer Aided Communication 182
E-mail 182
Formal Small-group Network 181
Grapevine 182
Intranet 183
Videoconferencing 183
Organizational Culture 144
Organizational Flexibility 370
Organizational Structure 364
Organizational Values 214
Organizations 125
Formal 127, 161
Informal 125, 161
Occupational 125
Traditional 125
Organizing 123
Contextual Dimensions 123
Structural Dimensions 123
Origin of Society 9
Outsiders in Collective Bargaining 307
Outsourcing 257, 357
and India 262
Benefits 358
Social and Cultural Effects 363

P

Palmer and Speoer's Typology of Virtual Organizations 142
Panopticon 326
Parker's Triology of Patterns of Leisure 84
Penalty for Illegal Strikes and Lockouts 290

The McGraw·Hill Companies

Picketing 288
Planned Groups 161
Pluralistic Perspective 275
Pluralistic Society 192
Population Declining and Ageing 243
Positive Discipline Approach 322
Post-industrial 339
  Characterisitcs 340
Post-modernism 37
Post-structuralism 37
Productive Agreements 310
Productive Bargaining 310
Professional Organizations 132
Professional Values 212
Professionals 82
Progressive Discipline Approach 323
Promise Keeping 220
Property – Respect for 220
Psychic Factors in Industrial Social Organization 10
Psychological Impact of Industralization 257
  Lack of Tolerance 257
  Sense of Vulnerability 257
Psychological Intervention for Enhancing Group Behavior in India 169
Pull System 369
Putting-out System 52

Q
Quality Circles 134, 315
Quality Management System (ISO 9001) 368
Quality of Work Life 313

R
Racial and Cultural Abuse 364
Rapprochement 224
Rationality 36
Recreation 84
  Activity Focus 85
  Experience Focus 85
Redundancy 86
Regionalization 350
Remote Working 344
Republic 4
Rights and Duties 219
Rule of the Law 284

S
Sarvodaya 204
Satisficing 126
Sayles' Classification of Groups 161
Schools as Grooming Ground 252
Scientific Management 23
Scientific Nature of Industrial Society 10
Second Industrial Revolution 65
Self 6, 82
Self-expression 218
Services 339
Sethi's Three States of Corporate Behaviour 199
Shop Floor – Politics of 160
Shop Industry 53
Skills 356
  Ueli's Types and Characterisitics 81
Slums 246, 248
Small Work Groups 134
Social
  Activities 9
  Forms 9
Social Action Strands 33
Social Activity in Industrial Plant 68
Social and Cultural Environment 194
Social Audit 204
Social Class – Layers of 244
Social Dialogue 311
Social Differentiation and Social Stratification 243
Social Divisions 364
Social Justice and Indian Constitution 291
Social Loafing 166
Social Mobility 243
Social Stratification 255
Social Stratification and Organizational Hierarachies 256
Socialist Economic System 193
Societal Values 219

The McGraw·Hill Companies

Society 192
  Economic Environment 193
  Political Environment 193
Sociological
  Imagination 6
  Perspective 6
Sociological Analysis of Effects of Industrialization on Indian Society 246
  Decline in Community Feeling 248
  Decline in Family Control 248
  Decline in Social Control 248
  Growth of Slums 248
  Increase in Male Ratio 248
Sociology 4
  Aim 4
  Definition 4
Socio-technical Systems Design (STSD) 366
Sogo Shosha 351
Spaghetti Organizations 138
Srenis 92
Standing Order 333
  Coverage 333
  Objectives 333
  Scope 333
Statistics in Industrial Sociology 15
Status Differences 243
Step Ladder Policy 328
Stockless Production 369
Stratification – Forms 244
  Caste 244
  Class 244
  Estate 244
Strikes 286
  Causes 287
Structural – Functionalism 13
Subjectivity at Work 82
Subsidiary 355
Surplus Value – Theory 32
Survey of Research in Industrial Sociology in India 393
Sustainable Development 194
Symbolic Interactionist 34
System Thinking 27
Systems Model or Dunlop's Approach to Industrial Relations 275

T
Team Organizations 138
Teams 168
  Types of 169
Technological Environment 194
Theory of Value – Labour 31
Total Quality management 369
Trade Union Act, 1926 289
Trade Union Congress 268
Trade Union Movement – Impact 268
Trade Union Movement in India
  Left-wing Trade Unionism (from 1924 to 1934) 270
  Post Independence period (from 1947 to date) 272
  Second World War (from 1939 to 1945) 271
  Social Welfare period (from 1875 to 1918) 269, 270
  Trade Union Unity period (from 1935 to 1938) 271
Trade Union – Need 269
Trade Unions 301
  New Functions 301
  Primary Functions 301
Trade Unions in India – Structure of 273
Trade Unions in India at the time of Independence – Features of 272
Trade-Related Aspects of Intellectual Property Rights (TRIPS) 354
Transformative Industries 46
  Complex 47
  Simple 46
Transnational Corporations 356
Tripartism and Labour Policy Formulation 282
Tripartite Committees in India – Industrial 282, 332
Triple Concept of Human Society 342
Trust 215
  Interpersonal Trust 215
Tuckman's Model of Group Development 153
Types of Groups
  Planned and Emergent 159
  Primary and Secondary 157

The McGraw·Hill Companies

U
Unemployment 79
Cost of 79
Union Finances 307
Unitary Perspective 274
United Nations Global Compact 211
Untouchability 7
Upward Communication 179
Urbanization 247

V
Values in Indian Society 217
Virtual Organization 140
Voluntary Associations 130
Functions 131

W
Wage Bargaining 312
War and Terrorism 350
Weber – Social Action Strand 33
Whistle blowing 225
Women – Change in the Condition 254
Work
Avoidance 85
Categories 74
Definition 74
Skill at 80
What is 6
What Work Provides 75
Work Committees 325
Work Councils 315
Work Orientation 77
Eastern Orientation 79
Western Orientation 78
Work Relationship 259
Work, Surveillance and Privacy 345
Workers Participation in Management 308, 313
World Trade Organization (WTO) 354
World Value Surveys 209

Y
Yuppie Traditionalism 259