

working power

editor Giles Radice
fabian tract 431

25p

BP 161511(431)



policies for
industrial
democracy

fabian tract 431

working power

chapter	1	introduction	1
	2	assumptions	5
	3	problems	9
	4	policies	17
	5	conclusion	21

this pamphlet, like all publications of the Fabian Society, represents not the collective view of the Society but only the view of the individuals who prepared it. The responsibility of the Society is limited to approving publications it issues as worthy of consideration within the Labour movement. Fabian Society, 11 Dartmouth Street, London SW1H 9BN. September 1974

ISBN 7163 0431 7

1. introduction



R(P)
BP161511
(431)

"Industrial democracy" is now on the political agenda for the first time since the 1930s. The TUC is debating a major report on industrial democracy at its 1974 conference. The minority Labour Government has promised legislation soon. All three major political parties will be putting to the electorate proposals to increase "participation". Journalists, management consultants, enlightened managements spend much time discussing the issue. Even the CBI has agreed that some changes are needed.

Yet, despite the general interest, there is no agreement on what is meant by industrial democracy or on what is the most appropriate and effective way of bringing this about. Indeed, when the various slogans are explored, it becomes clear that very different things are meant by different people.

The Conservative party, who, when in government, devoted a great deal of time and energy to trying to tame the unions by the 1971 Industrial Relations Act, are now in favour of compulsory consultation. The Liberals, who have a rather more consistent attitude on the issue, propose a system whose essential elements are profit sharing by employees combined with statutory works councils. They believe that such changes, by giving the workers a "stake" in the enterprise, would lead to "greater industrial harmony".

The CBI are firmly against both works councils and employee representation on boards of management but consider that consultation should be improved. This reflects a growing interest by progressive managements in developing more "democratic" styles of supervision and management, devising better systems of consultation and communication, and experimenting with ways to increase job satisfaction".

A major criticism of the approaches of the Conservatives, Liberals and the CBI is that, whatever their merits, they give employees "the illusion of involvement without the reality of power" (W. W. Daniel and Neil McIntosh, *The Right to*

Manage, PEP, 1972, page 125). For democracy is about the transfer of power, not about consultation, job involvement, profit sharing or even primarily about participation.

It is because trade unions have always understood this that they have concentrated their resources on bargaining as the most effective method of democratising industry. Individually, employees are no match for their employers. But, by organising their collective strength, they tap a source of power independent of and capable of standing up to management. Thus, in Britain, the main thrust of the efforts of employees to influence managerial decision making has been through collective bargaining and craft control.

the traditional trade union approach

The earliest successful attempt to usurp managerial decision making power was made by the craft unions in the 19th century and was based on the ability of skilled workers to control entry to the Labour market.

In many firms, craft control has developed through the establishment of "custom and practice" into a more sophisticated constraint on managerial freedom to regulate work organisation, recruitment, discipline and technical change.

The unskilled workers, lacking the initial bargaining power of the skilled workers, had to organise in strength before they could create a method of influencing management. However, the growth in trade union membership amongst the workers, particularly during two world wars, created the basis for an effective collective bargaining system by which, in many industries, unilateral regulation has been replaced by the joint regulation of both *substantive* (about the terms and conditions of employment) and *procedural* (about the way in which substantive norms are made, challenged, interpreted and applied) issues. After the war full employment led to the development of shopfloor bargaining, with shop stewards negotiating, as the Donovan report

showed, over a wide range of issues. Thus, through collective bargaining, employees have not only been able to obtain higher living standards but also a share in decision making in certain vital, if limited, areas which were formerly the prerogative of management.

Not surprisingly, therefore, most British trade union leaders have fought shy of other ways of controlling managerial decision making. It is true that Guild Socialism, which advocated a trade union partnership with the state to run industry, had its supporters from immediately before the 1914-18 war until the middle twenties. Also during the second world war, joint production committees of managers and shop stewards in the engineering industry discussed a wide range of subjects, so much so that, for a few years after that war, many saw joint consultation, particularly in the nationalised industries as a useful adjunct to collective bargaining. In practice, however, the insistence that joint consultation should be kept separate from collective bargaining meant that, except during the overriding crisis of the war, when joint consultation developed into something only a little short of joint control, the effectiveness of joint consultative committees was extremely limited. And, with the growth in shop floor bargaining, shop stewards did not see why there should continue to be separate arrangements for dealing with issues which, though they were wider than wages and conditions, could still be matters on which opinions might differ. As a result, the consultative committees either were brought into the bargaining system or became very anodyne indeed.

Majority opinion was also against the idea of having employee representatives of trade unions to participate in management boards. In the debate at the end of the second world war on how nationalised industries should be run, the TUC set its face firmly against workers' control. Instead, it gave its backing to the Morrisonian concept of a public corporation without direct trade union representation. As the 1944 TUC document on post-war reconstruction put it: "it does not seem by any means certain that it would

be in the best interests of the workpeople of a nationalised industry to have, as directly representative of them, members of the controlling board who would be committed to its joint decisions . . . trade unions should maintain their complete independence". Trade union directors, usually on a part time basis, were appointed but always from outside the industry concerned. Thus, while Western Germany legislated for employee representation on supervisory boards and, with many other European countries, for works councils, the British Trade Union Movement was content to rely on collective bargaining and, it is only fair to add, on its great political power (which enabled it to lobby both Labour and Conservative governments with a very real chance of being heard) to influence management.

tradition modified

Perhaps the first change in attitude taken by the Trade Union Movement came in 1968 with the TUC evidence to the Donovan Commission. In a cautious shift of position, it stated that "there is now a growing recognition that at least in industries under public ownership provision should be made at each level in the management structure for trade union representatives of the work people employed in these industries to participate in the formulation of policy and in the day to day operation of these industries", and argued that there should be participation at three different levels—plant, intermediary and board level. At plant level, the TUC proposed that workplace representatives should sit on "whatever is the normal body which regularly meets at plant level to take decisions on the running of that plant"; that there should also be trade union representation at intermediate level; and that, at board level, there should be legislation to allow companies if they wished to make provision for trade union representation.

Later, in 1967, an influential Labour Party working party, under the chairmanship of Jack Jones, also called for experiment in "new forms of workers' participation" within the public sector. While the report

emphasised the crucial role of collective bargaining in the development of industrial democracy, it concluded that workers' representatives (not necessarily full time officers of the union) should be placed on boards of nationalised industries. In the private sector, the working party concluded that it was more important to concentrate on the extension of collective bargaining "because it would be dangerous to obstruct the question of worker representation on company boards of directors and so forth from this more fundamental question of the strengthening and co-ordination of collective bargaining within the company".

The change in emphasis led, under the Labour administrations of the 1960s, to limited experiments in worker representation on the boards of publicly owned enterprises. In 1967, the British Steel Corporation's scheme for the appointment of worker directors on divisional boards was agreed on an experimental basis between the TUC's steel committee and the British Steel Corporation. The TUC General Council successfully argued that some appointments to the Passenger Transport Authorities, set up by the 1968 Transport Act, should be from trade unions who organised employees of the new boards, while it also urged that the 1970 Ports Bill should make provision for employee representation on the Port Boards.

Though the shift in attitudes amongst some trade union leaders and Labour politicians during the 1960s was significant in the modification of British tradition, even more crucial were initiatives at shop floor level. Some of these were basically defensive in character, a reaction to managerial decisions which threatened closures and redundancies. The most famous example was the "work in" at Upper Clyde Shipbuilders of 1971-72 which saved four yards; other actions included "sit ins" at Plessey (Alexandria), Fisher Bendix, Alvis Chalmers and the former BLMC Thornycroft factory at Basingstoke. Yet though some "work ins" and "sit ins" have been successful, their importance was more symbolic than actual, the last ditch defiance of a desperate work force. Probably more important

were advances achieved in collective bargaining. The devolution of bargaining to plant level, the increase in lay participation in negotiating machinery, the beginning of bargaining at a company level, and the extension of collective bargaining into areas of managerial control—all these created a new base from which more ambitious schemes of industrial democracy could be launched.

Perhaps the most critical factor of all was the recognition during the 1960s and 1970s of the interlocking nature of managerial decision making. It was not enough to have joint control merely over wages and conditions. These decisions were shaped by earlier decisions on investment, production, and design which, in their turn, were part of an overall corporate strategy. It was the worsening economic conditions of this period which highlighted the limitations of traditional collective bargaining. Although there had been extensions of bargaining, particularly at shopfloor level, the central management decisions (investment, location, closures and mergers, the future shape of corporate strategy) remained outside the scope of collective bargaining. It was becoming increasingly obvious that the Labour Movement would have to work out a planned and concerted strategy for furthering industrial democracy.

The pressures from below coincided with other developments. With Britain's entry into the European Economic Community, even a Conservative administration at loggerheads with the Trade Union Movement over the Industrial Relations Act of 1971, was forced to react to two European initiatives—the proposal for a "European Company" statute and the draft of a fifth directive on Company Law. The proposed statute, which is not intended to be mandatory, is concerned with the government of the "European Company", a new form of legal entity envisaged as emerging as a result of the nationalisation of companies operating across national boundaries and is based on the German co-determination model, with supervisory boards and works councils. The proposed "European" statute is, at the moment, of little practical importance, as it is

unlikely in the near future that concerns will wish to register as "European companies", even if the Council of Ministers agree on the statute.

The draft fifth directive, which is potentially more significant as it would cover all public limited liability companies with more than 500 employees, puts forward a similar structure to that proposed for the European company, except that it proposes two alternative systems for appointing the supervisory board. Under the first system (based on the German model), at least one third of the board must be appointed by the workers, either by direct election of their representatives or through recognised trade union machinery according to the discretion of the member states. Under the second system (based on the Dutch model), there would be co-option for the whole supervisory board, including workers' representatives with a limited power of veto over candidates to the board.

Faced by these two initiatives, the Conservative Government consulted the CBI and the TUC. Though the CBI gave the EEC proposals a dusty answer, the TUC in its comments, while rejecting the works council as inappropriate to the British industrial relations system, was prepared to accept that there was now a case for employee representation on supervisory boards, but argued that it thought that this representation should be strengthened to a "parity" position and directly linked to trade union organisation at company and plant level.

Meanwhile, in the valuable new spirit of close co-operation developed between the Labour Party and the TUC during the early 1970s, the Labour Party and the TUC discussed jointly policies to promote more industrial democracy. Independently, at the 1973 Trades Union Congress, the Trade Union Movement approved an important interim statement on industrial democracy. Like the 1967 Labour working party report, it concluded that "the major way to extend collective control of work people over their work situation will continue to be through the strengthening of trade union organisation and the

widening of the scope of collective bargaining". However, because even the extension of collective bargaining would leave "a wide range of fundamental managerial decisions affecting work people . . . beyond the control of work people and their trade unions", the TUC statement, in a decisive break with traditional TUC policy, proposed that trade union representatives should form one half of a new board supervising the management board of all companies employing more than 200 people (during 1974, after discussion with the Labour Party, this proposal was modified to cover, in the first instance, only companies employing more than 2,000 employees). In addition, the supervisory board would be the supreme body in the company, while management would be obliged in law to take account of employee interests. A statement embodying these proposals is being presented to the 1974 Congress. The minority Labour government has promised a bill to further industrial democracy and, if re-elected, is likely to publish a White Paper at the end of 1974.

The purpose of this pamphlet, which brings together the main threads of the papers and discussions of a Fabian working party, is to provide both a perspective to and a critical discussion of Labour party and trade union policies to produce more industrial democracy, to highlight some of the problems involved and to explore some of the policy options. We hope that it will make a contribution to debate within the Labour movement.

2. assumptions

The pamphlet has three underlying assumptions. First, it is argued that the democratic case has an ethical basis separate from and independent of other considerations. Secondly, there is evidence that employees and their representatives want more say. Thirdly, industrial democracy should be defined primarily in terms of a change in power relationships.

the democratic case

The democratic case within industry has the same ethical basis as democratic arguments elsewhere—that every individual should have the right to control his own environment. The democratic challenge to managerial prerogative within industry is the same as the challenge to autocracy everywhere—“by what right?”

Traditionally, managerial prerogative has rested on property rights. Through direct ownership or through power delegated by shareholders, managers have claimed the right to manage enterprises unilaterally without reference to their employees. The justification of managerial prerogative based on property rights has, however, come under attack from a number of directions. The development of a mixed economy with a large public sector has undermined the strength of the case based on private property rights. And, in many of the largest private firms, the link between ownership and control is now so tenuous that the property argument is decisively weakened—so much so that in a number of areas, for example in the payments of redundancy benefits, employees have turned the argument on its head by themselves establishing rights based on their “ownership” of their jobs (through employee rights are still not recognised in company law).

A superficially more convincing case argued in terms of technical expertise is now popular amongst managers. In an industrial system which is growing more complex, so the argument runs, managerial prerogative is more than ever justified, because management alone possesses the necessary skills. In a sense, an unchallengeable argument—only management

now has the opportunity to exercise these skills. But when we talk about managerial skills, what do we mean? Of course, there are specialised skills (accounting, economic forecasting, data processing, legal expertise and so on) to which management needs access. Galbraith has, in fact, claimed (in *The New Industrial State*) that the development of these specialisations are an important, even decisive, constraint on management. However, the fact is the strategic decisions are still made by the managers—even if it is on the basis of evidence supplied by the specialists. The central management function is one of decision making (decision making at a number of different levels); and it is this process with which the advocates of more industrial democracy are concerned.

Employee representatives at different levels already make a contribution to decision making on a number of subjects, through collective bargaining. Is it seriously argued that workers' representatives, even after the appropriate training, will remain incapable of making a contribution to other kinds of decisions. The fact that management remains anxious to attract shop stewards into junior management positions and recruit trade union officials into management jobs at higher levels, including the boardroom, casts grave doubts on this type of assertion.

The unease felt by management apologists is reflected in the following statement by the Director General of the CBI: “Managers do not—if they ever had—have a divine right to manage. There is no automatic prerogative to make decisions and expect them to be carried out. The process of decision making will have to be more and more justified and demonstrated to be right in order to command the respect not only of the people working in the company but the community as a whole” (W. C. Adamson, *CBI Director General's inaugural letter to members, 1970*). In other words management is beginning to accept the legitimacy of a different basis for authority—that of consent.

Of course, there can be very different meanings attached to “consent”. The

slave can be said to "consent" to his exploitation—but that is because he has no alternative. In the same way the worker may "consent" to managerial domination in many areas, because through social and cultural "blindness" he cannot "see" any other alternative. But "consent", in the widest sense, implies full recognition of the rights of employees.

It follows that it is not possible, once the broad meaning of "consent" has been accepted, to draw distinctions between those issues which are to be the subject of discussion, negotiation and agreement and those issues which must remain exclusively the prerogative of management. Management decisions are indivisible. Management cannot in logic say "yes, we are prepared to discuss wages and conditions but all the rest—job design, hiring and firing, managerial appointment, investment, corporate planning—these are our business". Decisions about wages and conditions are connected and often shaped by earlier decisions on other even more fundamental matters. Thus, within industry, as elsewhere, authority based on consent implies an increase in democracy.

Democracy is infectious. This is one of the main strengths of the industrial democrat's case. For, in a society in which democratic rights are increasingly recognised, it becomes more and more difficult to maintain that industry should remain exempt. Why should industry remain one of the major areas to which democratic principles do not apply? It was Víctor Hugo who said that nothing is more powerful than the idea whose time has come. It is undeniable that a shift in society's values has helped to undermine the traditional basis of industrial authority and substantially strengthened the claims of democracy. Thus the case for a "democratic" industry is stronger today than ever before.

A final point: the democratic case is valid in its own right. It may be true that industrial authority will break down unless it rests on consent or that, if there is more democracy, industry will work

more efficiently. But these are important but subsidiary arguments. In the same way, it is not either a validation or invalidation of the democratic case if workers either wish or do not wish to exercise their democratic rights. What is essential is that democratic rights should be available and workers should have the opportunity to exercise them.

the demand for more say

There is, however, evidence both of a demand by employees for more say and also that, once more say has been achieved, workers support the change.

As far as the demand for more say is concerned, three different levels are relevant—the employees themselves, their shop floor representatives, and national trade union officials. Inevitably, their different levels will give different perspectives. Employee views are expressed in a more negative than a positive fashion, as a reaction against assertions of managerial authority. Shop floor representatives tend to be more positively assertive, but in a localised, sectional way. For obvious reasons (some of which are organisational), national trade headquarters see things in a wider context.

Attitude surveys of employees are inevitably unsatisfactory. Those who are not used to participation tend to be uncertain whether they want it—particularly if they, like most people, are uncertain what it entails. There is the additional fear, sometimes encouraged by management, that more democracy can only be obtained at the expense of some other desirable objective—such as better pay and conditions. What is surprising, given all these difficulties, is the very large section of the work force (as revealed by the inquiry carried out by the Donovan Commission and the Cambridge study of the affluent worker) wanting a greater say in management.

Turning to the shopfloor representatives of employees—the shop stewards—they have been for a number of years demanding more say at shopfloor level (some-

times in response to managerial encroachments) and often getting it. The survey carried out for the Donovan Commission showed that the vast majority of shop stewards negotiated with management on a wide range of topics including wages, working conditions, hours of work, discipline and employment issues, such as work allocation, workpower, machine moving, job transfer and distribution of overtime. McCarthy and Parker summed up shop steward activities as follows: shop stewards are "essentially shop floor workers, using all the opportunities presented to them to satisfy their members' grievances and claims". They are prepared to "use any avenue of access to management" and if necessary "circumvent established rules and procedures to get what their members want" (McCarthy and Parker, *Research Paper 10*, Donovan Commission). In short, shop stewards—key figures on the shop floor—represent a steady pressure at this level for employee encroachment on managerial prerogative.

At national level, trade unions have also been asking for more influence in the running of enterprises. This has expressed itself in two ways through bargaining at company level and in resolutions and policy statements calling for more industrial democracy. In a number of recent trade union side claims (ICI and Fords, for example,) trade union negotiators have tried to open up questions—the quality of working life, investment, corporate planning—which were formerly the prerogative of management. At trade union conferences, including those of some of the largest unions, there have been a number of resolutions and policy statements on industrial democracy.

Thus adding together the evidence from the three levels (employees, shopfloor representatives and national trade union organisations), we get a clear indication of substantial support for a move towards industrial democracy.

As to employees' attitude towards systems in which they have more say, Paul Blumberg in his thorough examination of the subject, *Industrial Democracy: the*

Sociology of Participation, has this to say, "There is hardly a study in the entire literature which fails to demonstrate that satisfaction in work is enhanced or that generally acknowledged beneficial consequences accrue from a genuine increase in workers' decision making power. Such consistency of findings, I submit, is rare in social research". He concludes "It is not really difficult to explain why participation works; it is almost a matter of common sense that men will take greater pride and pleasure in their work if they are allowed to participate in shaping the policies and decisions which affect that work" (quoted in McCarthy and Ellis, *Management by Agreement*).

changing power relationships

Industrial democracy should be defined primarily in terms of power relationships. Thus an effective democratic strategy must genuinely change the balance of power in favour of employees and not merely give a democratic facade to an otherwise authoritarian structure. We should, therefore, be suspicious of any management orientated approach which does not shift power towards employees. By the same token, we should also reject any new structure or machinery, however democratic they appear on paper, which either does not materially increase or actually subtracts from existing sources of employee power, for example, trade union organisation.

This does not mean that good job design which increases an employee's scope for autonomy and self expression is not important or that the development of consultative, democratic styles of management is not to be encouraged. On the contrary, a growing body of research has shown that employees are becoming increasingly dissatisfied with jobs which are unrewarding in human terms. And there is also a link between job satisfaction and industrial democracy—in that the greater the involvement in work itself the more meaningful the involvement in the running of the enterprise is likely to be (as demonstrated by the work of the Tavistock institute). Even so, increasing job

satisfaction by itself does nothing to redistribute industrial power. Similarly, it is obviously a step forward that management should understand the need to adopt a style which accepts that workers are human beings. But a belief in consultation does not begin to add up to industrial democracy.

The fear lest new corporate machinery undermine existing sources of employee power is not motivated by any exaggerated concern for trade unions as trade unions. No institutions have a divine right to exist. But the truth is that trade unions are the only effective existing source of employee power. Through collective organisation, employees, though powerless individually, have been able to establish joint regulation (particularly at shop floor level) over a number of vital subjects. It is true that the strategic corporate decisions, though they are increasingly influenced by government, remain largely outside the control of collective bargaining. But, while it is right to bring out the limitations of collective bargaining from a democratic point of view, it is also necessary to emphasise that the continuing existence of trade union organisation is the only real guarantee that managers will not manipulate new democratic constitutions for their own purposes. To be meaningful, any democratic strategy must, therefore, be underwritten by trade union organisation and built on trade union achievements in negotiation and representation.

Industrial power relationships are not only shaped by the situation within the enterprise. Inequalities in wealth, opportunities and power in society as a whole affect what happens at work. It follows that policies for more industrial democracy, by themselves, are not enough: they have to be part of a wider strategy to get rid of the inequalities which mar British society.

3. problems

The purpose of this chapter is to examine (taking into account the recent modification in the attitudes of the British Labour movement) the difficulties involved in applying democratic objectives to the complexities of the industrial world. It is as well to admit straight away that a number of problems arise, both in conceptual and practical terms.

It has already been pointed out that British trade unionists have increasingly recognised that, though employee power is usually more effective at shopfloor level, the strategic decisions (those concerned with investment, location, closures and mergers and so on) which ultimately shape employees' working environment, are outside the scope of collective bargaining. Yet, if in order to influence their strategic decisions, the labour movement ops, as the TUC suggests, for a policy of employee representation on the boards of enterprises, is there not a risk of either undermining the independence of existing sources of employee power or of provoking a shopfloor revolt against board representatives on the grounds that they are "stooges" of management?

Some members of our working party have also drawn attention to the difficulties involved in establishing employee representation on company boards in a mixed economy. Would not the conflict of interest inherent in a private company between corporate objectives and the aspirations of employees make the job of worker representation impossible?

There are also a number of very real practical difficulties. In any large firm there are many different interest groups that need representation—skilled and unskilled, better paid and low paid, men and women, technical staff and white collar workers. In addition, it should not be forgotten that managers are also employees with rights of their own. How are all these groups to get adequate representation? And, if we decide for a single channel of representation (as did the 1967 Labour Party working party on industrial democracy), how are non trade unionists (who are still a sizeable proportion of the

labour force) to be represented? There is also another interest—that of the "consumer" or "community" interest. Yet is it really possible to have meaningful consumer representation at enterprise level?

And is there a single solution applicable to the very varied conditions of the British economy? The need to influence managerial decisions at a number of different levels has already been emphasised as has the difference between the private and public sectors. In addition, in the private industry there is the varying size of companies. In the public sector there is also the difficulty involved in applying the same democratic solution to the public services, particularly those with elected representatives, as to the nationalised industries.

Finally, can more democracy be combined with more efficiency?

All these are questions that need answering. The following pages attempt to explore some of them—though the problem of the public services is omitted as the working group consider that it warrants a separate study of its own.

a multi-dimensional approach

Most people with any experience of industrial relations agree that in recent years employee power has been exercised most effectively at shopfloor level. One of the chief points of the Donovan Commission report was its emphasis on the growth in ability of work groups and shop stewards to influence managerial decisions at that level. It is not surprising that this should be so. For most employees, their direct work experience is their highest priority. They are naturally more concerned with the basic shopfloor issues—piecework, the volume and distribution of overtime, the distribution and pace of work, the manning of machines, the introduction of new machinery, transfers, disciplinary and procedural matters and so on—than with matters of less direct interest. Moreover full employment since the war has given work-groups in many industries the bargaining

power to make management take notice of their point of view. One indication of this is that many shop stewards now bargain with management over a wide range of shopfloor issues.

Rightly, both the TUC interim document and the 1967 Labour Party working party report attached considerable importance to the development and extension of employee rights at shopfloor level.

Any democratic strategy must be based on a vigorous shopfloor democracy. For, unless there is employee control over those managerial decisions which affect employees directly at shopfloor level, then industrial democracy is unlikely to be very effective. Employees who have no say in those decisions which are most tangible to them are unlikely to show much interest in decisions which are more remote.

In such a situation, representatives at a higher level will not get the support they need to press home their point of view. Indeed without the backing of a powerful shopfloor organisation, there is the strong probability that apparently democratic arrangements will merely act as a cloak for managerial autocracy.

There must, therefore, be an extension of plant bargaining, supported by strong shop floor organisation. A great deal remains to be done. Though spectacular advances have been made, the gains of plant bargaining are patchy and informal, consisting mainly of a series of brilliant sorties into enemy territory rather than a formally recognised victory which can be translated into a system of employee rights. And, despite the widening of the subject matter negotiated at this level, a number of issues, including control of work design which is becoming a matter of increasing importance to workers, are still largely subject to management prerogative. The basis of democratic advance must be reforms at grass roots level, so that all aspects of shopfloor life are covered by bargaining.

But to stress the importance of what happens at shopfloor level is not to mini-

mise the role played by decisions taken at higher level. It is wrong to make too hard a distinction between those decisions which affect the shopfloor and those which are only of concern to the boardroom. After all, the main impact of decisions about closures and redundancy are felt by the employees—as workers in UCS and Rolls Royce are only too well aware. And most of these top level decisions, even if about such apparently remote matters such as investment and advertising, have direct shop floor consequences. Thus employees, whether or not they recognise it, have a direct interest in top level decision making.

The problem for trade union officials is to convince their members that all kinds of major decisions at boardroom level are of importance to them. While there is little difficulty over immediate issues such as redundancies and closures, on other subjects even trade union officials themselves do not always see the shop floor implications of top level decisions. This is in part because there is still a major gap between bargaining at shop floor level and industry wide negotiations. In most industries, there is very little bargaining at the company or group level, where most of the important decisions are made. Thus, trade unions and their members, despite their organisational strength, can usually do little more than react, often too late, to what has already been decided at a higher level.

There is therefore, a need for a multi-dimensional approach which extends and links together joint regulation at all levels—from shop floor to boardroom.

building on collective bargaining

The question that then arises is how this extended democratic control is best achieved. There are those who argue that the most effective way forward is by collective bargaining alone. McCarthy and Ellis, in their book *Management by Agreement*, have argued for a new form of collective bargaining linked to company and group planning (which they have called “predictive” bargaining). It

is their view that collective bargaining, reformed and strengthened in this way, would create a form of workers' participation "that requires little or no supplementation". Others, including many trade union leaders, while wholeheartedly supporting the extension of collective bargaining, believe that in addition employees need to be directly represented at boardroom level.

It is certainly the case that collective bargaining is the essential basis of any democratic strategy and should be extended to cover such areas as the design and organisation of work, manpower planning and training, the provision of information, and agreement on such essential matters as location and mergers.

In this sense, the Labour government's repeal of the Industrial Relations Act and the bill promised for employment protection (both of which strengthen and extend collective bargaining) are the underpinning essential of any democratic advance. In addition, the Trade Union Movement needs to make a special effort to develop company and group local bargaining.

But though an extended and reformed system of collective bargaining is the essential basis of a democratic strategy, there is a need for additional employee control at board room level, closely linked to collective bargaining but expressed in a new institutional form. For even a reformed system of collective bargaining is likely to leave a wide range of managerial decision beyond the control of workpeople and their representatives.

Whereas subjects like the design of work and manpower planning arise naturally out of the immediate preoccupations of the workers, more remote but vitally important questions like the future of corporate strategy could only be introduced rather artificially and certainly very slowly into collective bargaining and would be unlikely to be supported in the short run by the sanctions which workers and their representatives now employ to lend force to their demands. There is, therefore, a strong case for direct em-

ployee representation on the boards of enterprises.

employee representation and trade union independence

British trade unionists have been only too conscious of the possible threats to trade union independence posed by trade union involvement in management. If trade unions participate in management, will they still have the freedom of rejection they possess now? Is there not a danger that they will be inextricably caught up in a cosy "collaborationist" web, and so neglect their members' interests?

One difficulty for British trade unionists is that there is little native experience to guide them and what there is is not particularly encouraging. The worker directors in British Steel were appointed not to the main Board but to the purely advisory divisional boards, were not allowed to retain their links with the trade unions and had no mechanism for reporting back to the shopfloor. Though the TUC's steel committee have negotiated some improvements in the system of representation (including giving employee directors the right to continue to hold union office and also specific areas to represent) the boards continue to be advisory. As the TUC has pointed out "executive decisions are often taken elsewhere".

The West German "co-determination" system is of more relevance. There has been much criticism of the system, particularly by visiting British trade unionists. They do not always realise that strong "parity" co-determination (with 50 per cent employee representation) only applies in the coal and steel industry. The trade unions and the Social Democratic Party now wish to extend that principle throughout industry. The German trade unions genuinely believe that in the coal and steel industry the trade unions have effectively influenced management without losing their independence. It is true that, as British trade unionists point out, German unions are much weaker at shopfloor level than their British counterparts. But their weakness

at shopfloor preceded co-determination (and was, in fact, one of the main reasons why they agreed to the setting up of works councils); and it is significant that the German coal and steel unions, with their greater say at enterprise level, have also managed to penetrate the works councils more effectively and use them more extensively than unions in other industries. Perhaps even more persuasive than the West German example is that of the Scandinavian Trade Union Movements who have a great deal of power but are now supporting developments broadly similar to the German system in their own countries.

But, whatever the foreign experience, it is as well to recognise that those who fear for trade union independence if trade unions participate in management represent an important element in trade union thinking. In a sense, the argument about independence highlights a dilemma which always faces trade unions. Trade unions derive their power and the motive force for change from the conflict of interest inherent in industry. Yet, in order to obtain improvements for their members, they have to reach agreement with management. Thus collective bargaining itself is a form of participation in management, a "collaboration" in certain specific if limited areas. So what is at issue, is not the principle of "participation" (trade unions already "participate") but the way in which that participation is exercised.

The TUC have rightly understood that the only effective way that trade union independence can be combined with participation in management at boardroom level is if employee directors are on the supreme body of the company as *representatives*, elected through trade machinery.

This insistence on the *representative* nature of employee directors avoids some of the weaknesses of German co-determination. Under the TUC system, the employees would be on the board not to carry the can for management but to influence decisions as direct representatives of the employees. In addition, the

employees representatives would have fifty per cent or "parity" representation on the supervisory board (which would be the company's supreme body) in order to ensure that they are not outvoted and, therefore, emasculated by the representatives of capital.

The purpose of elections of employee representatives being through trade union machinery rather than directly or through works councils is to preserve a single channel of representation. The danger is that, if appointments or elections were made through other machinery, then a rival source of employee power might be built up which would probably have the effect of seriously weakening the position of employees. It is therefore right that the TUC should insist on a single channel of representation.

The effect of these proposals—employee directors as "representatives", "parity" representation and election through trade union machinery—is to extend collective bargaining into the boardroom, the only difference from normal bargaining being that employee directors will be putting forward the employee side of the argument in a wider context and will be concerned with a higher level of decision making. Thus, on closer analysis, much of the apparent distinction between the independence of trade unions under collective bargaining and their emasculation if they participate in boardroom decisions disappears.

There have, however, been fears amongst trade unionists that conflicts might arise between employee representatives on boards and trade union negotiators for collective bargaining purposes. One member of our working group has suggested that employee representatives at board level should be different from those trade union representatives who conduct negotiations. The TUC, in its evidence to the Donovan Commission, however, saw no conflict, provided the employee directors were "representatives", in employee directors "arguing the case at board level and then pursuing it at negotiations, representing workers' interests at a later stage". Certainly, as a trade union mem-

ber of our group pointed out, officials are in any case already faced with conflicts, particularly those between the short and long term interests of their members or between the contradicting demands of particular groups. The kind of clashes that are likely to occur in the new situation are different only in degree from those that occur now. The best guarantee that employee directors will do an effective job of representation is, as with trade union negotiators now, a powerful independent and lively shop floor organisation.

employee representation in a mixed economy

Some trade unionists believe that, though it would be perfectly possible—and indeed desirable—to have employee representation on the boards of nationalised industries, the conflicts of interest inherent in capitalism would mean that employee representation in private industry would be seen either to work at the expense of the independence of the trade union point of view or not to work because of their conflicts. A lucid statement of this point of view was put to our working group in the following terms: "In private industry, the dominating motive is to maximise the return on capital with little or no regard to social costs. This disregard to social costs, together with the possibility of increasing private profit by exploiting labour, provides the real conflict of interest inherent in capitalism . . . Workers' representatives sitting on the board of a private firm would never be able to surmount this conflict, even though on some issues they would find common interest with the employer".

As the 1967 Labour Party working party report argued, it would probably be easier to introduce employee directors in industries which are in public ownership. The objectives of the public sector tend to be wider than those in the private sector and the job of the employee directors would be correspondingly easier. However, to delay the introduction of employee representation at board level until an industry was in public hands, would be to penalise the employees who work in

the private sector. In the opening chapter, it was argued that all employees have a democratic right to participate in decision making at all levels, including the government of the enterprise. It is of course true that, throughout much of private industry, there is a reasonably effective system of collective bargaining, particularly in engineering and in the process industries, which gives employees important rights. But the point has already been made that many strategic decisions are outside the scope of collective bargaining, and that collective bargaining is a second order activity, a process of reaction to decisions taken elsewhere. Something more is needed—in the private as well as in the public sector. It is this above all which persuaded the TUC to argue for a representative system at board level covering both the public and private sectors. Otherwise, employees in private industry (still the majority) would have to be content with fewer rights than their colleagues in the public sector.

Employee representation on boards of private industry need not freeze (as some argue happened in Western Germany after the war) the present pattern and prerogative of industrial ownership. Indeed, the proposals to write the employees' interest into a new Companies Act and to ensure that on key questions such as investment, mergers and takeovers, closures and redeployment and the appointment of all members of the management board, the supervisory board (on which there is 50 per cent employee representation) is able to override the AGM of shareholders (or the owners where the company is not publicly quoted) represents a significant curtailment of the rights of capital.

However, at any rate at first, employees in some private industries may not wish to exercise their rights to have representatives on the supervisory boards of companies. In the engineering industry, for example, shop stewards may feel that such participation in management could prejudice their independence. There may be a case for a rather different approach in the private sector, in order to give employers the choice as to whether or not

they wish to have their representatives on the boards of private companies. The practicalities of this are discussed in the last chapter.

what about the small firms ?

It was pointed out at the beginning of this chapter that this pamphlet does not deal with democracy in the public services (as distinct from the nationalised industries) because the working group recognised that it was a separate problem of its own, requiring separate study. However, there are also difficulties in the private sector, associated with the small firm, particularly in the service industries. It may well be that the proposals discussed so far will need some adaptation. There is, therefore, a case for confining (at any rate to begin with) employee representation on boards to companies with 2000 employees and over. This will give time for experimentation in smaller firm.

representing different interests within the enterprise

It would be unrealistic not to recognise that the employees in an enterprise do not form a monolithic bloc. On the contrary, they have differing and sometimes conflicting interests. So any representative system has to take account of a diversity of interests, in relation to pay, skill, sex and job structure and so on. Perhaps the most difficult problem of all is how to represent non trade unionists.

The need for a single channel of representation via trade union machinery has already been stressed as providing the only worthwhile guarantee that any new forms of democratic representation are not used against the interests of employees. The risks of creating any rival source of employee power has also been emphasised, in that it would almost certainly weaken employee protection overall. But a single channel of representation does not mean monolithic representation. One of the strengths of the British trade union movement is that it is nothing if not diverse. British trade unionism with its relatively large number of trade unions,

catering for many different types of employees up to and including management, is well suited for the kind of democratic advance proposed by the TUC. In cases where there is multi-unionism within an enterprise, special attention will, however, need to be made to inter-union agreement on representation—as is the normal practice in collective bargaining. In difficult cases, intervention by CAS may be required.

Managers as well as employees have a right to representation. For managers are employees with rights of their own, as a number of trade unions, in particular ASTMS, have recognised in recent years. It would be wrong, however, if on any supervisory board, management had a special place reserved for them *qua* management. It is after all from their role as employees of the company not from being managers that their claim to representation derives. But managers, who are now joining trade unions in increasingly large numbers, must be able to play their part through their own trade union machinery, in electing representatives on to supervisory boards.

What about non unionists ? Superficially, the argument for allowing non unionists to elect their own representatives appears to have some justification particularly in those firms which do not have trade union representation. However, there are strong counter-arguments. Under the Labour government's industrial relations legislation, every employee will have the right to join a union and to have access to its services. Any legislation which enshrined the non unionist's right to "non union" representation would create a second channel of representation in firms in which there was already trade union organisation. In firms without trade union organisation, it would put up a barrier against trade union penetration and provide an incentive to management not to recognise trade unions. For these reasons, we believe that employee participation in the institutions of the democratic enterprise should be through trade union membership only.

There may, however, be a case, in non-union firms, of linking the initial accept-

ance of employee representation on the board with recognition of trade unions and trade union machinery. Thus employee support for employee representatives on boards would also signify support for trade unionism.

In addition, trade unions will recognise that, if access to representation is to be only via trade union machinery, then there will be a heavy responsibility on them to ensure (and be seen to ensure) that they exercise their rights in a fair and democratic way. They must see that there is no arbitrary exclusion from membership either through refusal to admit or through unreasonable expulsion. They must also insist that elections are fairly conducted. Union rules should include, where they do not do so already, a complaints procedure. There is also a case for having an independent review body to which aggrieved individuals can appeal, as suggested by the Donovan Commission (paragraphs 612-617).

consumer representation

Obviously employees, management and shareholders are not the only parties with a legitimate concern in the behaviour of the enterprise. The consumer and the community also have an interest in seeing that the enterprise does not enrich itself at their expense. In "classical" economic theory, the producer served the good of the community by looking after his own. The "free market" system ensured that the consumer was able to exercise his choice. In practice, a combination of oligopoly and private and state monopoly has meant that consumers have far less choice than the "classical" economists supposed.

It is, however, difficult to see how the consumers' interest can be directly represented within the enterprise. The complexities of appointing consumer representatives on the board of every company would be great. How would they be appointed and how would they carry out such a general responsibility? In view of these problems, it may well be that, except perhaps in the nationalised

industries, it would be unreasonable to hope for direct consumer representation. It is certainly the case that with the extension of public participation in the private sector (as proposed in Labour's plans for industry) there will be more government appointments on the boards of some companies to represent the public interest. But elsewhere the government will remain the real representative of the consumer—and it will be through government policy on pricing and taxation that the consumer interest will be best represented.

management and the democratic enterprise

Apart from the issue of representation (already discussed above) there is another question relating to management which is often raised. How is it possible to combine democratic controls over management with effective decision making?

The multi-dimensional approach proposed (a strong shopfloor democracy, extension of collective bargaining and "parity" employee representation on supervisory boards) does offer a good prospect of introducing a large measure of democratic control over managerial decision-making at all levels. Apprehensive managers may however argue that in a democratic enterprise the quality of decision making will suffer because the speed and the secrecy necessary in a competitive system will be sacrificed. Managers may also be uncertain of their place in the new system. Will they have a role any longer?

The erosion of managerial legitimacy and the need for a new basis for authority within industry has been stressed in the second chapter. So, whatever the quality of managerial decision making today, it is unlikely ever again to be effective without the consent of the employees. The introduction of a system whose purpose is to ensure employee representation at all levels should, therefore, make decisions more not less effective. The second point is that in a democratic enterprise management will still have a vitally important role. But it will owe this to its specialist skills and its ability, because of these

skills, to convince employee representatives at all levels that it has the right answers. Democratic management may involve some present day managements in fairly drastic changes of attitudes. Efficient and progressive managements, however, should have little to fear. They will be able to put their carefully, rationally and humanely formulated plans to employee representatives at all levels, including the boardroom—thus combining efficiency with democracy.

In any case, two devices should go far to allay management fears that the new system will in fact lead to complete deadlock. The first is the adoption in private industry of a two tier board structure on the German model with a supervisory board overseeing a much smaller executive board. This would combine overall democratic control with independence as regards day to day running of the enterprise left to management who would, however, in this respect also have to satisfy trade union representation at shop, plant and company level. As regards the supervisory board, there should be an independent "chairman", elected by both sides, to use his casting vote in situations in which there was a 50/50 split. This would enable decisions to be reached in the case of deadlock and, as Anthony Crosland points out in his title essay in *Socialism Now*, also enable union representatives to disassociate themselves from particular Board decisions "without simultaneously causing the whole enterprise to grind to a halt".

4. policies

From the discussion of the problems in the previous chapter, a number of principles, on which Labour's strategy to increase industrial democracy should be based, have emerged. In order to provide an effective guarantee that the new democratic structure will be meaningful, there should be a single channel of representation through the trade unions and providing, in effect, one continuous system of collective bargaining linking shop floor to boardroom. Labour's approach should be multi-dimensional, capable of being effective at all levels of managerial decision making from shop floor to boardroom. There is therefore no single policy relevant to all situations; we need instead a package of policies relevant to the different problems. Finally, though there may be a need for some variations, policies including employee representation on boards, should apply to both the private and public sectors.

shop floor democracy

It has been shown earlier how the most meaningful gains in the extension of industrial democracy have been made at shop floor level. Through "custom and practice" and the development of shop floor and plant bargaining, workers and their trade union representatives have been able in a number of industries to negotiate on a wide range of relevant topics. Both the 1967 Labour Party working party and the TUC were, therefore, right to stress the importance of ensuring that industrial democracy was seen to operate at the work place.

The prerequisite of effective policies at this level is the spread of trade union organisation and the extension of bargaining. There are still many employees not in trade unions, particularly amongst white collar workers and women and also in the service and Wages Councils industries. The Labour government's Employee protection legislation will establish the right to join a union. In addition, machinery is proposed to help trade unions achieve recognition for bargaining purposes through the independent conciliation and arbitration service (CAS). A

trade union which is unreasonably refused recognition will be able to use the CAS to put pressure on a recalcitrant employer. However, in the event of an employer refusing to comply with a CAS finding in the union's favour, it is essential that the union should also be able to have recourse to unilateral arbitration through the courts. In addition, the terms of reference of wages councils ought to be changed to include the positive encouragement of collective bargaining. Part of the agenda of each wages council meeting ought to be devoted to examining the progress of unionisation and the development of collective bargaining including widening the range of subjects negotiated. In short, one of the main priorities of wages councils (set up where collective bargaining is weak) should be to work themselves out of a job. All these measures, combined with more energetic recruiting efforts by the unions, should lead to the necessary expansion of both trade unionism and collective bargaining.

To ensure that bargaining is meaningful at shop floor level, it is essential that shop floor representatives are given as of right the facilities necessary to perform their jobs. There is a case which the government should consider, for including the basic minimum requirements in the proposed Employment Protection Bill.

Equally important is the extension of the scope of bargaining. Part of the answer must lie in universalising the most advanced practice. Such a process would undoubtedly be helped by more written agreements (as suggested by Donovan, though partly for different reasons) at shop floor level. However, there are other areas, usually outside the scope of bargaining, in which joint regulation should be established. Amongst the most important of these are manpower planning, safety and work design.

Higher unemployment in recent years has led to far more agreements at plant level to deal with the consequences of cutbacks in production, including "no compulsory redundancies" clauses, the adoption of natural wastage policies, guaranteed work arrangements, early warning provisions,

additional redundancy payments and transfer and training within the company or plant and so on. There is, however, a need for shop floor influence at an earlier stage. Hence the case for shop floor involvement in manpower planning and also in the related question of training.

The appalling toll in terms of ill health and accidents arising out of work is a strong argument for much greater employee influence in health and safety (see Patrick Kinnersley, *The Hazards of Work*). Despite some serious shortcomings the Labour government's Health and Safety legislation is to be welcomed because it sets up statutory joint health and safety committees throughout industry.

The nature of work itself and the satisfaction to be derived from it is obviously of central importance to employees. It is true that many employees have had to adapt to the monotony of their employment but work itself can and should be a major source of satisfaction and growth for the individual and not merely a means of meeting his basic needs. Yet, as a social scientist pointed out to the working group, one difference between managers and employees "is that on one side it is recognised that people continue to develop throughout most of their lives, and then on the other side it is not". That is why trade union representatives have to take seriously the development of such techniques as "job enrichment", "job enlargement" and the redesign of work now so popular with some managements and management consultants. It is important that techniques that claim to provide ways of alleviating the boredom and monotony of industrial jobs are not merely used as tools of managerial policy but are fully discussed and explored by shop stewards. Though the redesign of work may not be relevant to some technologies, trade unions must respond to the undoubted "alienation" felt by many mass production workers from the sheer boredom of their jobs.

There may now be a case for government help to companies who, with the support of trade union representatives, are pre-

pared to carry out experiments in re-designing work processes. When management and union representatives (who would normally be shop stewards with direct experience of the work process involved) agree on the outlines of an experiment which might otherwise be uneconomic, they should be able to submit their plans to a panel of professional experts (perhaps on the lines of the Social Science Research Council) for vetting. If successful, the project would qualify for government grants. Support might include assistance with training, start up allowances, tax allowances and possibly machinery and equipment grants. It might also be necessary to retain a government commitment to the project for a limited period in order to give firms the initial confidence to undertake the experiments.

In Norway and Sweden, there are even more ambitious "self determination" schemes which, as a result of trade union initiatives, seek to combine experiments in job redesign with the setting up of autonomous employee groups running the shop floor (that is, planning the work, establishing production goals and having responsibility for running operations). In Britain some of the functions of these autonomous groups are already exercised by work groups and their representatives; it may well be that a shop floor which had control over manpower planning, safety and work design as well would be coming very near a situation of almost complete employee control at this level, which could be formalised at a later stage by the setting up of statutory joint shop and plant committees throughout industry.

Finally, shop floor democracy needs the backing of effective legislation on the provision of regular information as of right to employees and their representatives. The TUC report called for the following information for individual employees: all information circulated to shareholders, terms and conditions of employment, a job specification (including responsibilities, management structure, and health and other possible hazards) employment prospects (including promotion opportunities and plans to expand or contract

the workforce) and access to their personal file. In addition, accredited representatives should be entitled to information on manpower, earnings and financial information (including sources of revenue costs, directors' remuneration, profits, performance indications and worth of company). Representatives should also have the right to information which might help them form a view on the prospects of a company, including details of new enterprises and locations, prospective close downs, mergers and takeovers, trading and sales plans, production and investment plans, manpower and recruitment plans and so forth. The provision of information should not only be defined in legislation but also be the subject of management/trade union agreement.

company level bargaining

A reformed and extended shop floor bargaining and the presence of employee representatives on boards of enterprises will expose even more clearly than now the missing link in the democratic chain—at company and at group level where most strategic decisions are made. Though industry wide bargaining fixes minimum pay and conditions in many sectors, in most parts of private industry there is no effective company or group level bargaining. Yet without a powerful bargaining system at this level, there is a danger that shop floor bargaining, even if reformed, will remain sectional and localised, while employee representatives will be ineffective and divorced from the grass roots.

The Trade Union Movement, therefore, must create a comprehensive bargaining structure at company and group level as a matter of priority. The objectives would be to monitor the progress of extending shop floor bargaining, to negotiate wages and conditions, to open up strategic corporate thinking to discussion, and to provide employee directors with the muscle they will require to make their presence felt in the boardroom.

It is also clear that much more needs to be done to build up trade union activity in companies which are internationally

owned. We do not, however, propose to consider this question but it is thoroughly discussed in the TUC's excellent report on international companies.

employee representatives on boards

The first priority at this level should be to make employee representation on the boards of nationalised industries more effective. The statutes of the nationalised industries should be changed, so that at least 50 per cent of members of the policy making boards are direct trade union representatives. Provision should also be made for experiments below board level, on the lines of the reformed British Steel Corporation scheme.

In the private sector, as a complement and supplement to collective bargaining at shop floor and company level, the government should accept the TUC proposals (as set out in the General Council's report of the 1974 Trade Union Congress) for 50 per cent employee representation via trade union machinery on supervisory boards of companies with 2000 employees and over (though employee representation should be extended to smaller companies at a later stage).

This would mean a new Companies Act which would set up a two tier board structure with supervisory boards, responsible for determining company objectives (investment, mergers and takeovers, closures and significant redeployment) and for appointing the executive board of management. In addition, companies would have a statutory obligation to take into account the interests of employees.

Though the change in company obligations and the form of the new machinery should be mandatory on all private companies, our working group considers that there is a case for recognising the strong feeling amongst employees in some companies and industries and for letting employees choose whether or not they want to have representation on boards of companies. In firms in which trade unions were recognised, this choice would be exercised through trade union machin-

ery. In non trade union firms, it may be that, on application by trade unions, the process should be supervised by the Conciliation and Arbitration Service, perhaps through an especially created Industrial Democracy division. If the CAS decided that there was support for board-room representation, this would also mean recognition for the trade union(s) concerned, because employee representation could only be through trade union machinery. The CAS could also have a role in giving assistance when there were inter-union disputes about employee representation.

The government should also consider the case for a full time chairman, appointed by both sides of the supervisory board, able to give his casting vote at times of deadlock. This would both preserve employee independence and ensure that there was a built in way of moving out of conflict. The Labour Party's green paper on the reform of company law rightly points out "if it be said that this problem illustrates again the way in which the 'top' or supervisory board would operate with elements of bargaining and arbitration in its processes, that does not seem to us to be an objection of great weight: rather the opposite".

In general, the introduction of employee representatives on boards ought to be a progressive process, with priority given to advance in the nationalised industries and with a more cautious approach, allowing choice as regards implementation, in the private sector.

trade union responsibilities

The reforms proposed and the acceptance of the principle of a single channel of representation throws heavy new responsibilities on the Trade Union Movement.

First, the trade unions need to devote more resources to recruitment and organisation and, equally important, to training and education. If collective bargaining is to be extended, the trade unions must build up trade union membership in the unorganised industries through a major

recruiting effort and also press for negotiations at company level. At all levels—and particularly at board level—employee representatives will need training for their new functions. This suggests that a massive educational drive should also be a high priority.

Secondly, as only trade unionists will be able to participate in the new representative machinery, there must be safeguards against arbitrary exclusion from trade unions. Most trade unions have already responded to the TUC initiative on trade union rules, including the provision of an appeals committee. In addition, as the Donovan Commission suggested, there is a case for an independent tribunal to which aggrieved individuals could appeal in the last resort.

5. conclusion

There is now a strong case for more industrial democracy all the way up from the shop floor to the board room. Evidence of substantial support amongst employees and their representatives for such a development suggests that new democratic structures would have firm foundations. It is essential, however, if democratic change is to be more than a facade, that it must be backed by trade union machinery and also build on existing collective bargaining systems.

Though there are problems to be overcome in the introduction of employee participation in management, some of the fears about trade union independence lose their validity if, as has been suggested, such participation is seen as an extension of the principles of collective bargaining (if not its actual form) to areas and levels which are now the subject of managerial prerogative. What is proposed is, in fact, a system of *dual* power (employees and management) throughout industry, including the private sector.

Labour's strategy to promote industrial democracy should be based on the following principles :

- 1 A single channel of representation
- 2 Strengthening, extending and building on collective bargaining
- 3 A multi-dimensional approach, capable of affecting managerial decision making at all levels from shop floor to board room
- 4 Advancing democracy in the private sector as much as the public sector.

A programme to increase industrial democracy should include the following elements :

- 1 *the increase of trade union membership* by establishing the right to join a union, by enabling trade unions, in difficulty over recognition, to use the CAS and, in the last resort, unilateral arbitration facilities through the court, by reforming wages councils, and by much more vigorous trade union recruitment,

- 2 *the extension of shop floor bargaining* by giving shop floor representatives minimum facilities as of right, by encouraging the codification of agreements, by widening their scope to include manpower planning, safety and work design (backed by government supported experiments) and by the statutory provision of information as of right.

- 3 *the development of company and group bargaining* to fill the missing gap between shop floor bargaining and employee representation on boards.

- 4 *the introduction of employee representatives on boards* by, as a first priority, introducing 50 per cent trade union representation on nationalised industry boards and, in the private sector, by setting up a two tier board structure, with a supreme supervisory board on which 50 per cent are trade union representatives, and by changing company obligations to take account of employee interests. In the private sector, employees should be given a choice as to whether they want representation on the boards or not—in organised firms through trade union machinery and in non organised firms, under CAS supervision. The case for an independent chairman, elected by both sides of the supervisory board, ought to be considered.

- 5 *the recognition of trade union responsibility* for a major recruitment and educational effort, and also for a close watch against arbitrary exclusion and improper use of trade union machinery. Case for an independent tribunal as final court of appeal for aggrieved individuals to be considered.

If all, or even some, of the proposals suggested are implemented, they would result in a dramatic improvement in industrial democracy. We accept that they fall short of workers' self management. However, they are not a barrier to the achievement of such a goal. On the contrary, they represent an important step towards it. We should always remember democratic change is a movement towards rather than a final arrival.

1. The extension of shop floor democracy by giving shop floor representatives minimum facilities as of right, by ensuring the collection of agreements by widening their scope to include management planning, safety and work design (backed by government supported expert advice) and by the statutory provision of information as of right to representatives.

2. The development of a shop floor group dynamic to fill the present gap between shop floor bargaining and employee representation on boards.

3. The introduction of employee representatives on boards by a first priority introducing 50 per cent trade union representation on nationalised industry boards and in the private sector by setting up a two tier board structure with a supervisory board on which 50 per cent are trade union representatives and the changing company obligations to take account of employee interests in the private sector, employer should be given a choice as to whether they will represent on the boards or not in an organised form through trade union machinery and in non organised form under CWS supervision. The role for an independent chairman, elected by both sides of the supervisory board, ought to be considered.

4. The recognition of trade union representatives for a more prominent and active role in a close working relationship with management and labour, against arbitrary exclusion and harassment of trade union machinery. Case of an independent tribunal as final court of appeal for aggrieved individuals to be considered.

5. All or even some of the proposals suggested are interrelated, they would result in a dynamic movement in industrial democracy. We accept that they fall short of workers self management. However they are not a barrier to the achievement of such a goal. On the contrary they represent a permanent step towards it. We should always remember democratic change is a movement power rather than a final arrival point and it is this which is the essential characteristic of a dynamic movement.

There is now a strong case for more industrial democracy all the way up from shop floor to the board room. The case of substantial support amongst employees and their representatives for such a development suggests that new formalistic structures would have firm foundations. It is essential, however, if democratic change is to be more than a facade that it must be backed by trade union machinery and also build on existing collective bargaining systems.

Though there are problems to be overcome in the introduction of employee participation in management, some of the fears about trade union involvement have been allayed. It has been suggested that participation is seen as an extension of the principles of collective bargaining (not its actual form) to areas and levels which are now the subject of managerial prerogative. What is proposed is in fact a system of dual power (employees and management) throughout industry, including the private sector.

Labour's strategy to promote industrial democracy should be based on the following principles:

1. A single channel of representation
2. Strengthening, extending and building on collective bargaining
3. A multi-dimensional approach, capable of affecting managerial decision making at all levels from shop floor to board room
4. Advancing democracy in the private sector as much as the public sector

A programme to increase industrial democracy should include the following elements:

1. The increase of trade union membership by establishing the right to join a union, by enabling trade unions in this way over recognition, to use the CWS and in the last resort, industrial arbitration facilities through the court, by reforming wages councils, and by much more vigorous trade union recruitment.

man society the authors

The Society exists to further education and research. It is linked to the Labour Party, both nationally and locally, and embraces all shades of opinion within its ranks—left, centre.

The Fabian Society has enrolled many socialists who are prepared to discuss the essential questions of democratic socialism and relate them to practical plans for building socialism in a changing world.

While the Society has no executive power, it puts forward its resolutions of a non-partisan character, but it is not an organ of detached academics. Its members are active in their Labour Parties, Trade Unions and Co-operatives. They are representative of the labour movement, practitioners committed to study and discussion of the problems that matter.

The Society is organized nationally and locally. The national Society, directed by a General Executive Committee, publishes a journal, and holds a series of annual conferences. Local Societies—of which there are about 100—are self-governing and are local centres of discussion and research.

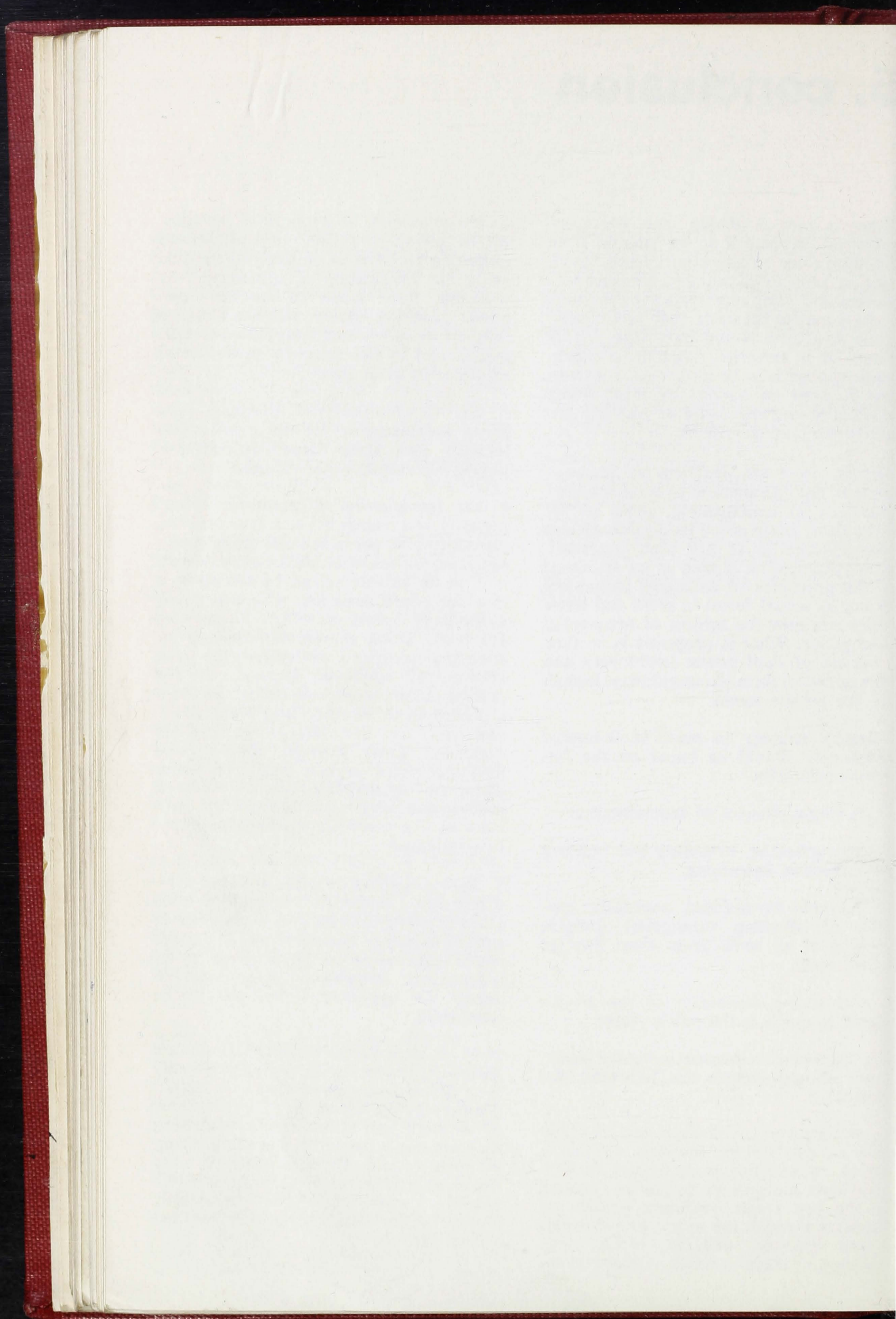
For more information apply to the Secretary, Fabian Society, 10, Tavistock Square, London, W.C.1. Telephone: 01-253 2271.

Giles Radice is Member of Parliament for Chester-le-Street. Formerly research officer of the party, he was co-author of Fabian Pamphlets on Low Pay and on the 1971 Industrial Relations Act and co-editor of Young Fabian Papers. After years in the party, he is the honorary treasurer of the Fabian Society.

The Fabian working party on industrial democracy is an offshoot of the Fabian Society's trade union and industrial relations committee and consists of union activists, managers, academics and others knowledgeable in this field. It met regularly during 1973 and the first part of 1974. Though every member of the group does not necessarily agree with the conclusions of this pamphlet, all have agreed with its construction.

Cover design by Dick Ledbetter. Printed by Civic Press Limited, 100, Civic Street, Glasgow G1 4RN.

ISBN 0 101 0931



fabian society the authors

The Fabian Society exists to further socialist education and research. It is affiliated to the Labour Party, both nationally and locally, and embraces all shades of Socialist opinion within its ranks—left, right and centre.

Since 1884 the Fabian Society has enrolled thoughtful socialists who are prepared to discuss the essential questions of democratic socialism and relate them to practical plans for building socialism in a changing world.

Beyond this the Society has no collective policy. It puts forward no resolutions of a political character, but it is *not* an organisation of armchair socialists. Its members are active in their Labour Parties, Trade Unions and Co-operatives. They are representative of the labour movement, practical people concerned to study and discuss problems that matter.

The Society is organised nationally and locally. The national Society, directed by an elected Executive Committee, publishes pamphlets, and holds schools and conferences of many kinds. Local Societies—there are one hundred of them—are self governing and are lively centres of discussion and also undertake research.

Enquiries about membership should be sent to the General Secretary, Fabian Society, 11 Dartmouth Street, London, SW1H 9BN ; telephone 01-930 3077.

Giles Radice is Member of Parliament for Chester-le-Street. Formerly research officer of the GMWU, he was co-author of Fabian Pamphlets on Low Pay and on the 1971 Industrial Relations Act and co-editor of Young Fabian Essays, *More power to the people*. He is the Honorary treasurer of the Fabian Society.

The Fabian working party on industrial democracy is an offshoot of the Fabian Society's trade union and industrial relations committee and consists of trade unionists, managers, academics and others knowledgeable in this field. It met regularly during 1973 and the first part of 1974. Though every member of the group does not necessarily agree with the final shape of this pamphlet, all have helped with its construction.

Cover design by Dick Leadbetter. Printed by Civic Press Limited (TU), Civic Street, Glasgow G4 9RH.

ISBN 7163 0431 7

recent fabian pamphlets

research series

297	Della Adam Nevitt	Fair deal for householders	25p
300	Christopher Foster	Public enterprise	30p
305	O. Kahn-Freund, Bob Hepple	Laws against strikes	85p
308	Peter Coffey, John Presley	Europe: towards a monetary union	25p
309	Brian Showler	Onto a comprehensive employment service	30p
310	Jim Skinner	Fair wages and public sector contracts	20p
312	Bruce Douglas-Mann	The end of the private landlord	20p
313	Elizabeth Young, Brian Johnson	The law of the sea	50p
314	H. Glennerster, S. Hatch	Positive discrimination and inequality	40p
315	Naomi Mitchison	Oil for the Highlands ?	30p
316	John Ellis, R. W. Johnson	Members from the unions	30p

tracts

399	R. H. S. Crossman	Paying for the social services	20p
410	Anthony Crosland	Towards a Labour housing policy	20p
411	Dennis Marsden	Politicians, equality and comprehensives	30p
419	Stephen Hatch (ed)	Towards participation in local services	50p
421	Malcolm Wicks	Rented housing and social ownership	25p
422	David Lipsey	Labour and land	20p
423	Wayland Kennet	Still no disarmament	25p
424	a Fabian Group	New attitudes in secondary education	30p
425	Peter Shore	Europe: the way back	30p
426	John Garrett, Robert Sheldon	Administrative reform: the next step	20p
427	Julian Fulbrook and others	Tribunals: a social court ?	20p
428	E. A. Webb	Industrial injuries: a new approach	30p
429	Chris Cossey	Building better communities	30p
430	Jeremy Bray, Nicholas Falk	Towards a worker managed economy	30p

young fabian pamphlets

17	Colin Crouch (ed)	Students today	30p
30	James Bellini	British entry: Labour's nemesis	25p
31	James Goudie	Councils and the Housing Finance Act	30p
32	Tony Klug	Middle East conflict: a tale of two peoples	40p
33	Larry Hufford	Sweden: the myth of socialism	40p
34	Graham Child, John Evans	Britain, Europe and the law	60p
35	a study group	A policy for public ownership	30p
36	Stewart Lansley, Guy Fiegehen	Housing allowances and inequality	25p
37	David R. Allan	Socialising the company	50p
38	Young Fabian steel group	Crisis in steel	30p
39	S. Murgatroyd, S. Thomas	Education beyond school	20p

books

R. H. S. Crossman and others	New Fabian Essays	cased £1.75
Margaret Cole	The story of Fabian socialism	paper £0.75
Brian Abel-Smith and others	Socialism and affluence	paper £0.60
Peter Townsend and others	Social services for all ?	paper £1.00
Peter Townsend and others	The fifth social service	cased £1.50
George Cunningham (ed)	Britain and the world in the 1970s	cased £3.00
P. Townsend and N. Bosanquet (eds)	Labour and inequality	paper £2.20