COLLECTIVE BARGAINING AND
EMPLOYEE PARTICIPATION IN
WESTERN EUROPE, NORTH AMERICA AND JAPAN

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I. INTRODUCTION:
COLLECTIVE BARGAINING AND EMPLOYEE PARTICIPATION

This study examines trends in the industrial relations systems in Western Europe, North America and Japan.* The main focus is on changes in the collective bargaining process and developments in other forms of employee participation in decisions traditionally regarded as taken by management alone.

The industrial relations system in any country is unique; it is the product of the particular historical, geographical, economic, political and social factors that have made each country what it is. Social and political processes within nations are nevertheless influenced by ideologies and economic and technological forces that transcend national boundaries. We believe that these common factors, influencing current trends in each country, will grow stronger. They are inducing responses from labor, management and governments that are diminishing the differences in social processes between one country and another. This significant degree of convergence does not mean, however, that deeply entrenched characteristics that distinguish patterns of industrial relations in different countries will disappear and common patterns of individual and institutional behavior emerge, so long as nations remain politically independent of each other. Nevertheless, in a period when the speed of communication and degree of economic and political integration is greater than in any previous period, it is likely that innovative developments in one country will have a powerful influence on developments in another to a greater degree than in the past.

A. COLLECTIVE BARGAINING

Collective bargaining is now strongly established in all the countries covered in this study, although it developed later in some countries than in others. In many countries of Continental Europe and in Japan, collective bargaining played only a minor role until after the Second World War. There were two main, closely interconnected reasons for the early failure of collective bargaining to develop. First, the unions in these countries—especially in France, Germany and Italy—were to a large extent creatures of political parties, with the largest and most influential unions linked to parties ideologically committed to achieving a socialist society. These unions were inevitably more concerned with political issues than with dealing directly with employers on traditional collective bargaining issues. The *raison d'être* of these unions was reinforced by the second factor: the tradition in Continental Europe and Japan of state regulation and control of economic affairs and institutional behavior—a tradition quite different from the libertarian individualistic tradition established in Britain by the 17th century revolt against royal tyranny and transplanted to the North American colonies, where it developed even more fully than in the land of its birth. In Continental Europe, the French Revolution left behind a tradition of order and authority imposed by a central bureaucracy. In Japan, the feudal tradition of primary loyalty to the lord and emperor was translated into primary loyalty to the company and the state. These traditions were modified by the development of pluralist concepts of democracy, but they have been a powerful influence on the development of the modern roles of unions and management.

In Britain and North America, the emphasis on collective bargaining emerged from the debate begun early in the 19th century over the organization of industrial enterprises and industrial society. Some argued for “industrial democracy” as an alternative to the damaging effects of industrialism and the philosophy of *laissez-faire* which sanctioned the entrepreneurial capitalist and his agents taking full advantage of their superior strength in the labor market. The more radical arguments of these 19th century reformers—in support of creating an industrial as well as a political democracy—were rejected, but the extremes of individualism were blunted by a reluctantly conceded right of workers to combine in trade unions as a means of increasing their bargaining strength, thus turning *laissez-faire* individualism into *laissez-faire* collectivism. The struggle was won by those who believed that the most effective way of raising the standard of life of the workers was through organizing them into unions and bargaining collectively with employers. When Sidney and Beatrice Webb made their famous study of collective bargaining at the end of the 19th century, entitled *Industrial Democracy*, they were convinced that collective bargaining and political pressures exercised by trade unions were far more effective ways of achieving industrial democracy, without impairing the efficiency of...
management, than the system of direct participation in and control over management which was the aim of the syndicalists.

This remains the dominant opinion of trade unionists and employers in all the countries covered in this study, but there has been a significant shift, particularly in Western Europe, towards the view that there is much that is inadequate about reliance on traditional collective bargaining.

The pattern of collective bargaining varies considerably among countries, as we shall see. There has been a trend toward decentralization in those countries which have had the most centralized systems. A second trend, of much concern to us in this study, is toward an extension of the scope of collective bargaining in terms of the issues and decisions covered.

B. EMPLOYEE PARTICIPATION AND THE LIMITATIONS OF COLLECTIVE BARGAINING

The importance of collective bargaining is evidence of its advantages as a process to reconcile conflicting interests in employment relations, but its limitations have also become apparent, both within the enterprise and at the level of the wider society.

Traditionally management has drawn its authority from those who owned the capital of the enterprise, but with the growth of institutional shareholding this link has become tenuous. Managers are employees recruited for their professional skill, and their effectiveness depends upon their ability to persuade their fellow employees to accept their decisions as legitimate. Collective bargaining is an important method of securing this necessary consent, but it has the disadvantage of often not covering a wide range of decisions that are of great importance to the welfare of employees.

The processes of collective bargaining have given rise to continuing problems of inflation and led to conflicts over adjustments to technological and economic change. The challenge to collective bargaining as a process of reconciling competing claims has become much greater in the 1970s with the massive impact on the economies of the industrialized world of the sudden quadrupling of the price of oil. Full employment has given way to levels of unemployment not seen since the 1930s, rates of economic growth have slowed down, and, at the same time, inflation has continued—for awhile at rates much faster than in the previous two decades. The stresses which economic and social change have created have been felt most dramatically in public sector organizations and large corporations. Managing large-scale units of employment so as to meet the essential needs of the community has become increasingly difficult. Conflict is inevitable, but without cooperation based upon an ideology that makes it possible to develop constructive industrial relations, the marvels of modern technology and raised expectations may lead to disaster.

Alternative forms of employee participation in the process of managerial decision-making have developed in the postwar era, to a considerable extent in recognition of the limits of collective bargaining, however perceived. This trend toward employee participation, which varies considerably in strength and form among the industrialized countries, is of primary interest to us in this study. Participation has developed at different levels. One level of particular interest is that of the board of directors. Worker representatives now sit on boards of directors in a number of European countries. At a somewhat wider level, plans have been developed in some countries for major union participation in capital ownership and allocation. Also of special interest are works councils and consultative or joint committees at the plant or enterprise level, which have developed to varying degrees in all three regions. A fourth level, of less concern to us in this study, is the shopfloor level, where various arrangements for direct employee participation have emerged. The fifth level, also of less concern to us outside this introduction, is the level of union and employer participation with government—through tripartite consultative bodies, for instance—in the making and administration of national economic and social policies. National incomes policies raise traditional collective bargaining concerns into issues of national policy.

C. COLLECTIVE BARGAINING VERSUS EMPLOYEE PARTICIPATION

Collective bargaining differs in significant respects from other methods of participation in the process of management decision-making. The collective bargaining process in its classic form is based upon an autonomous organization of employees (the union) which seeks for its members the highest possible wages and other conditions of employment by negotiating with the employers, concerned to achieve for their stockholders the best rate of return on their capital (or in the public sector to satisfy government-established goals). The relationship between the union and the managers is an adversarial one: Each side knows that, though they may be compelled by circumstance and law to recognize
that mutual advantage lies in agreeing with each other, a gain for one may be a loss to the other. Although this is by no means always the case, it has a fundamental influence on the collective bargaining process.

By contrast, the nonbargaining participative process, which may extend from consultation to codetermination, is based upon the principle that managers and employees share to a large extent a common interest and that there is mutual advantage in its recognition. Nonbargaining participation does not necessarily require trade unions. Alternative forms of representation may be derived from legal requirements or unilateral managerial decisions. Trade unions have played an important role in the establishment of works councils and representation on supervisory boards, though the ultimate authority of these bodies derives from constitutional or policy requirements of the enterprise.

The most important distinction between representative participation and collective bargaining concerns the nature of employee involvement in the decision-making process. Collective bargaining normally takes place when the union or management makes a demand for a change and the other side responds. It is normal for union and management to make their own separate decisions at this stage. The process of arriving at the final decision is then one of bargained exchanges about previously made decisions until accommodation is reached, and a period of peace is bought. In the nonbargaining participative process, participation is more continuous through time. Participation must be continuous to be effective since most important managerial decisions are not made at a particular moment, except in the formal sense of their ratification, but by an input of information and analysis over a lengthy period before the decision finally emerges. It is a cumulative process.

The distinction between collective bargaining and representative participation may not be as clearcut as this analysis has suggested. The two processes overlap to an important extent, and trade unions play an important role in the participative process in the European countries and in Japan. In Europe the unions have sought increased participation through both representative bodies and extension of collective bargaining.

D. PARTICIPATION WITH GOVERNMENT

Trade unions in Western Europe, North America and Japan have not been content to remain entirely dependent upon their unaided bargaining power. In every country they have sought and obtained legal curbs on management’s freedom to refuse to recognize unions and negotiate with them. This has helped the unions extend greatly the scope and effectiveness of collective bargaining even in those countries where there has been a relatively weaker climate of support.

Although there have been considerable differences in the attitudes of unions towards the role of the state, they all sooner or later recognized that action by the state was necessary to deal effectively with fundamental economic and social problems that were seriously damaging to the interest of union members, such as unemployment, the decline of old and creation of new industries, the redistribution of income and wealth, and the provision of social security arrangements that could cope adequately with the casualties of a predominantly laissez-faire society. Thus the unions in every country have sought a wider role and have become one of the most powerful pressure groups in the modern state. Whatever their ultimate ideological goal, this has drawn them into a process of participation with employers and governments at the national level.

In all of the countries covered in this study, unions and employers have been persuaded that it is in their interest to participate in tripartite institutions established to advise governments on the making of their economic and social policies. The development of participation with government on national policy issues is not directly discussed in this study, but must at least be recognized in this introduction. The development of tripartite arrangements, one of the most important advances in the processes of political democracy, has been made much more significant by the fact that collective bargaining has led—under modern technological and economic conditions in Western Europe, North America and Japan—to serious problems of inflation and to structural rigidities which have lowered rates of economic growth and created inequities in the distribution of income between the organized and unorganized. The weaknesses in collective bargaining are apparent (though perceived differently depending upon one’s angle of view), but the introduction of centralized pay and prices policies as a remedy has raised the question of whether or not participation in the administration of these policies is inimical to the autonomy of the unions and is undermining the process of collective bargaining. Union leaders, time and again, after giving their support to centralized pay policies, have withdrawn into opposition—fearing that they were in danger of losing one of their main functions, and aware that restrictions on their right to pursue maximum increases in money wages were losing them the support of their rank and file. Unions and employers in some countries, Germany most conspicuously, have refused to go beyond a policy of “concerted action”—that is, of meeting with the representatives of the
government and central bank to exchange information on perceptions of the economic situation, but with no obligation to enter into particular policy actions. The underlying assumption of the concerted action policy has been, however, that it would influence the behavior of the parties and it appears to have done this to the benefit of the German economy.

The extent to which collective bargaining should be limited through imposed or participative incomes policies remains an issue of fundamental importance in every democratic society. After thirty years of experimentation, no settled solution has been achieved in any country, and the problem will not go away so long as trade unions and employers are free to negotiate and determine pay levels. The maintenance of this freedom has become conditional on finding a way to curb its excesses. Participation, through the development of corporatist structures and processes, offers a way; it is a way that has been taken for short periods, but it involves a change in the philosophy of bargaining. The choice would seem to be between accepting high levels of economic and social instability or developing high levels of voluntary restraint supported by institutional developments that ensure that the interest of the community is protected when in conflict with the interests of sectional groups. The evidence so far suggests that something more than a high level of participation is required to cope with the problem of inflation. Union participation in the making of government economic policy has been extensive in the United Kingdom and Scandinavia, but inflation has also been high. In Germany and Switzerland, where direct participation has been less formal and less direct, inflation has been relatively low. The crucial difference has not been the process as much as differences in union attitudes towards the basic problems and more effective government policies.

In the pluralistic democracies covered in this study, the advance of modern technology and the structural changes taking place in the world economy have emphasized the importance of finding solutions to the problems of managing the enterprise and the public service which do not threaten the welfare and stability of the wider society by inflation, by industrial strife, by inflexibility and failure to adapt to change, or by the creation of either right- or left-wing forms of a corporate state.

e. SHOPFLOOR PARTICIPATION

Collective bargaining and works councils are deficient as a means of dealing with many of the individual problems that arise on the shopfloor. In a collective bargaining system, these problems are generally dealt with through a “grievance procedure”—either a highly formalized procedure, as in the United States, or a more casual and less legalistic procedure, as with the role of shop stewards in European countries. These formalized processes fulfill an important function, but they tend to be limited in scope and legalistic. Grievance procedures tend to encourage a conflict-centered response to problems that would be less costly to deal with if they were resolved in a cooperative context.

The development of direct participation at the shopfloor level is not emphasized in this study, but deserves attention at least in this introduction. Recognition of the deficiencies of authoritarian management on the one hand and the limitations of representative systems on the other has led to the development of what Professor Trist calls “work-linked” democracy. The focus of this approach is on replacing authoritarian management with semi-autonomous work groups, which have the responsibility to manage the jobs carried out by the group. The manager at all levels becomes much more of an exemplar and supplier of technical expertise, more of a democratic leader than a dictator. The principles of work-linked democracy may be applied right through an organization and indeed often have been the method by which management is carried on at the upper levels of the managerial hierarchy. They are a central element in the Japanese ringi seido method of decision-making. In Europe and North America, they are now being extended to the shopfloor by many large and small enterprises. The development of the concepts of work-linked democracy are sometimes seen as an alternative to collective bargaining, especially where collective bargaining systems are deeply entrenched. These ideas clearly have implications for all types of representative systems, but they are not necessarily alternatives. They are in fact perceived as essentially complementary in Scandinavia, where work-linked democracy has been most strongly supported and where the most radical experiments have been carried out. These developments hold out great promise and offer an opportunity to bring about a fundamental improvement in worker-management relations providing they are effectively integrated with the representative systems of participation. However, if they become a technique which is used simply as a means of weakening or eliminating the process of democratizing the management of industry, whether by collective bargaining or codetermination, they will probably fail.

f. THREE MOST CHALLENGING DEVELOPMENTS

It is clear that no one method of reforming industrial relations will
provide an answer to contemporary and future needs. There are likely to be further developments along many lines. The three most challenging developments dealt with in this study are taking place in Europe: (1) the extension of the scope of collective bargaining projected in Sweden (pages 254-255); (2) the development of parity codetermination sought in Germany (pages 244-249); and (3) the schemes for "democratizing capital formation" proposed by the unions in Denmark and Sweden (pages 258-261).

Although extending the scope of decisions covered by collective bargaining is a different approach from securing parity representation on supervisory boards or securing specific rights of codetermination for works councils, in the long run the effect may not be greatly different. In both cases the aim is to give employees the right to exercise a veto on management. The Swedes hope this can be done without compromising the collective bargaining role of the unions. The Germans believe this is best achieved through separating the collective bargaining role from employee and union participation on works councils and supervisory boards. In either case, if the unions are successful in achieving their aims, they will inevitably become much more closely identified with management decisions. In both systems it will be necessary for management-union relations to be developed to the point where the prior input of information, mutual confidence, and acceptance of common goals prevent the continuance of conflict and the actual exercise of the power of veto.

Managements have for the most part accepted the arguments of the unions, but they fear that an extension of union veto power on their decisions may lead to poorer decisions and slower decision-making. The net effect could be an improvement in industrial relations at the expense of managerial efficiency and the ability of the enterprise to pay higher wages and improve other employment conditions.

The influence on other countries in Europe and elsewhere of the development of codetermination in Germany has already been considerable. It is also likely that the Swedish concept of extending the scope of decisions covered by collective bargaining will attract emulation. In Japan where a system of collective bargaining, based upon enterprise unions affiliated to national federations distinguished by their political goals, has been grafted onto a highly paternalistic employee-employer relationship, there is a trend towards consultative and audit committees. The aim of the Japanese is to create a more institutionalized participative system as an alternative to the growth of divisive bargaining attitudes which might arise as the traditional paternalism gives way to more individualistic behavioral patterns.

The proposal being advanced by the unions in Denmark and Sweden for the transfer of a substantial part of the equity of private enterprise into funds under the control of the unions is an even more fundamental development, which would reinforce the trends toward a more corporatist structure of union-management relations. This policy would insure that a major part of the wealth created by private industry would be collectivized for the benefit of wage earners in general. A development of this kind would give a new twist to the responsibility of management and its ultimate source of authority. It would reinforce the trend towards employee and union influence, but might create in a new form the old problem of differences of interest and perspective between shareholders and managers. Whether or not the Danish or Swedish proposals for union-managed equity funds receive sufficient political support to be established in the near future, there is likely to be continued support for employee shareholding schemes and for employee participation—through unions—on pension fund boards.

* * *

The trends that are examined in this study reflect the strength of continuity in systems of industrial relations, especially union determination to maintain an element of collective bargaining and management determination to maintain its ability to carry out its professional functions. At the same time, these trends reveal the continuing pressure for change and a shift towards new systems of management-union relations, reflecting a need and desire for improvements in the quality of working life.

Professor Lodge sees these developments as part of a more fundamental shift in the ideology of contemporary democratic capitalist societies from classic pluralism based on the values of individualism to an ideology of society that reflects the growth of forces making for the dominance of communitarian values. That there is a trend in this direction would be difficult to refute, but the extent to which it is taking place and where an equilibrium will ultimately be established is very much a matter of debate.
II. WESTERN EUROPE

A. TRADE UNION PATTERNS

Although the trade unions in Western Europe are all concerned to bring about improvements in the pay and conditions of employment of their members, they differ considerably in the broader goals they seek, in their organizational patterns and in the methods they employ. In some countries the trade unions are divided by ideological doctrines—communism, socialism, radical Catholicism—as in Italy, France, Belgium and the Netherlands. Most of the unions are affiliated to one of three or four federations, each having a distinctive political philosophy. This situation of sharp political division and conflict is now changing, however. In the Netherlands, the socialist and Catholic unions have come together to form a unified organization leaving only the Protestant unions separately organized. In Italy, steps towards unification have been taken. A United Metal Workers Union has been created, but a single national center has not yet come into existence, and is not likely in the near future, although a national agreement on this objective has been reached. Similar developments are mooted in Belgium and France, but the obstacles to unification are somewhat greater. This trend towards unity is of great significance, since it reflects a general desire for a common policy, and a significant shift towards the socialist left by both the Catholics and the communists under the influence of Eurocommunist policies. The trend will, if it is consolidated by unified organizational structures, probably increase considerably the bargaining strength of the unions, enabling them to exert greater influence on governments and employers. It is doubtful, however, if this trend will encourage union support for schemes of industrial democracy; it is more likely to lead to more overt conflict with management, at least in the short run, since the unions seem bent upon making militancy a test of their successful integration.

Unions in other countries, such as Sweden, Norway, Denmark, Germany, the United Kingdom and Ireland, are not divided according to the political loyalties of their members. They generally have allegiance to a single political party—usually the social democratic or labor party. The most significant division in union organization in these countries is the separation of white-collar and salaried employees into separate unions, affiliated in Scandinavia to separate trade union cen-

ters. In Britain, the Trade Unions Congress (TUC)—the one trade union center to which most unions are affiliated—is formally independent of the Labour Party, but there is a good deal of cooperation between the two bodies. More importantly, individual trade unions may affiliate directly to the Labour Party and a substantial number do so. Although the Labour Party gains a good deal from its trade union affiliates, it also finds them a threat to its political success. The unions in Britain have brought down both a Labour government and a Conservative one. The power of the unions and their readiness to thwart the policies of governments, whether Conservative or Labour, at the expense of the general community has become an issue of central political importance that remains unsolved. In Scandinavia, unions are more industrially structured, and unlike Britain, there are separate national federations for blue-collar, white-collar and graduate-trained employees. The blue-collar unions have a close relationship with social democratic parties and generally support a socialist political philosophy. The white-collar unions tend to be less associated with any of the political parties.

The growth of unions of white-collar employees has been changing the character of the trade unions in every European country. This development has been brought about by changes in the structure of employment and in the social attitudes and behavior patterns of non-manual employees. The growth in the numbers of clerical, technical, professional and managerial workers has diminished the special relationship they had to the enterprise and its senior managers. These employees no longer identify their own interests as closely with the enterprise. Although career advancement through promotion won by effective performance is still a dominant influence on white-collar employees, especially among the technical, professional and managerial grades, this objective is no longer seen as incompatible with membership in a trade union. Professional associations, which in the past shunned the notion of collective bargaining, have increasingly adopted this function and become little different from trade unions in their determination to protect the economic interests of their members.

There can be no doubt that the relative deterioration in the incomes and social status of white-collar employees has also had a powerful influence on their readiness to seek solutions for their problems through trade unions and collective bargaining. In every country in Europe white-collar employees have seen their pay differentials and job advantages (longer holidays, better sickness and pension provisions and other privileges) disappear as, under trade union and social pressures, employers have narrowed the gap which formerly existed between white-collar and blue-collar workers. Much of the case for turning to
trade unions as perceived by white-collar employees has been to enable
them to use the methods which have brought conspicuous success to
manual workers.

Resort to collective bargaining has inevitably led white-collar
employees to accept the need to engage in strike action. This develop-
ment has created particular problems in countries where employees in
the public sector are not legally entitled to strike. Increasingly, however,
public servants see no absolute barrier in social ethics to going on strike
and the law in these circumstances falls into disregard. Now in most
European countries, with perhaps the exception of Germany and
Switzerland, strikes by white-collar workers, including those employed
in the public sector, are not an uncommon occurrence.

In many countries the white-collar workers have organized in their
own separate unions, affiliated to a separate national federation. These
are particularly strong in the Scandinavian countries. Although the
unions and central federations of white-collar workers often make com-
mon cause with blue-collar organizations, they are increasingly ready
to act militantly on their own accord. There have been a number of
dramatic confrontations between the white-collar organizations and
governments. More of these are likely in the future as white-collar
unions seek to improve the relative pay of their members.

The establishment of systems of representative participation has
raised the question of separate representation for white-collar employees,
especially the higher-level groups. This has recently been resolved in
Germany through the creation of a special constituency and a reserved
seat on the supervisory boards of large German enterprises. The solu-
tion may not be acceptable in other countries; the issue is extremely
contentious and raises many fundamental questions that are not finally
answered in contemporary European industrial relations systems.

B. EMPLOYER ORGANIZATIONS

Strong employer organizations exist in all of the European countries.
They are especially powerful in Scandinavia where the tradition of
employer solidarity is as firmly established as union solidarity. In
Sweden in particular, the employer federations are prepared to defend
their interests with a "lockout" almost as readily as the unions are to
strike. Nevertheless, strikes and lockouts are relatively rare in Sweden,
perhaps because both employees and employers are highly organized.

The strength of employer organizations in Europe prevented for
many years the development of plant and company bargaining and so
encouraged the state to play a larger role. Although in Scandinavia and
Britain employer organizations were able, with the support of the
unions, to ensure for a long period that the state's role was confined
to establishing minimum standards, they have not been able to prevent
governments from greatly extending state intervention in modern times.

With the growth of large-scale enterprises which have their own
professional personnel experts, employer organizations have become
less important. This development has had an important influence on
the evolution of collective bargaining and industrial relations within the
enterprise. Large companies—especially U.S.-owned multinationals—
have been inclined to come to terms with unions outside of the arrange-
ments made for the industry as a whole. Nevertheless, even where
employer associations no longer play a dominant role in collective
bargaining, as in Britain, they do provide assistance to companies,
especially in conflicts with unions. They also remain an influential
political pressure group and fulfill an important representative function.

C. NEW MODELS: WORKS COUNCILS AND
TRENDS IN COLLECTIVE BARGAINING

Collective bargaining first developed in Europe between federations of
unions and federations of employers which negotiated agreements that
were either voluntarily observed at the plant and company levels or
legally enforceable through statutory provision. In the Continental
countries, labor inspectorates and labor courts were established to
enforce standards laid down either directly by law or through collective
agreements. Since the Second World War, collective bargaining at the
plant and enterprise levels has become considerably more important in
every European country, with the state playing an even larger role in
setting standards and ensuring their effectiveness. Industry-wide agree-
ments still have an important role, especially in the public sector, but
in the private sector they have lost a great deal of their relevance,
except perhaps in Germany, with the growth in plant and enterprise
bargaining.

This new model of industrial relations with a growing emphasis
on the plant and enterprise has been both facilitated and constrained
by the existence of works councils. Works councils were created for a
number of reasons. One of the most important was that the trade unions
were generally not strongly organized at the place of work. A second
reason was that they seemed to employers to be a sensible and safe
way of establishing employee representation, and provided a useful
means of communication between managers and workers. Works councils thus established that workers were not simply an opposition to be bargained with, but were crucial partners in the enterprise, with rights and obligations fundamentally as important as those attributed to management.

Germany
Since there was not, outside Britain and Scandinavia, a strong tradition of voluntary development of employee representation through union activity in the enterprise, legislation was introduced in a number of countries to bring works councils into existence. The most dramatic development was in Germany, where works councils were reintroduced in 1952 in the context of the establishment of equal employee representation on the supervisory boards of enterprises in the coal, iron and steel industries, and of one-third representation on the supervisory boards of limited liability companies in other industries.

There can be no doubt that the works council has become an extremely influential body in most German enterprises. This influence is exercised independently of the trade unions, but in contact and collaboration with them. The exact degree of contact and collaboration between the senior officers of the works council (almost always union members) and the union representatives (inside and outside the enterprise) varies a good deal. Because unions feared that the works councils might become divorced from them and follow policies in conflict with their objectives, they have encouraged the appointment of Vertrauensleute (trusted men of the union) elected only by the union members as, in effect, guardians of union interests. However, recent research in the metal industries has shown that the works councils have stubbornly maintained their autonomy, influenced by the unions but not becoming their creatures.

Thus, industrial relations in the German enterprise are based upon the concept of cooperation rather than conflict. The works council has no legal authority to call a strike; its influence depends upon its statutory rights and the acceptance of its role by management. Nevertheless, the unions have no wish to see this situation changed and testify to its effectiveness in protecting the interests of employees. The role of works councils has, in fact, tended to expand with the shift to the enterprise and the plant level for negotiations, even though the agreements negotiated between employer federations and unions at the Länder level remain of central importance to the settlement of wages.

The German unions see their role in the enterprise as guardians of the constitutions established by law which give all employees entrenched rights to self-government in some fields, codetermination in others and the right to be informed and consulted in the remainder. In other countries, such as France and Holland, where works councils were also established by law, the role of the unions in relation to the councils has been rather different.

France
In France, all establishments with more than fifty employees must have a works council (comité d'entreprise). In addition, they must also be permitted to have shop stewards (délégués du personnel) and trade union committees (section syndicale) if these are desired. This statutory support for the union presence has not been greatly successful in stimulating either a powerful workplace-based trade union activity or works councils as strong and effective as those in Germany. Collective bargaining has never been very strong in France, largely owing to the political divisions and philosophies of the unions, the determined opposition of the employers to negotiations at the enterprise level, and the role of the state. Since the Second World War, there has been governmental support for the development of collective bargaining, but the workers continue to rely on the state as the main arbiter of the basic levels of pay and conditions of employment. Although there has been a significant increase in collective bargaining in the larger enterprises, both private and public, the unions continue to rely on political pressure and the support of agencies of the state, rather than on the strength of an autonomous system of bargaining.

There is more comprehensive legal regulation in France than perhaps in any other country in Europe. In spite of this, because the unions are weakly organized at the plant level, French managers are perhaps more free to arrive at their decisions. This is a relative statement that may be invalid for particular enterprises, but it does mean that at times of general change managers will not always conform to the particular trends set by government policies.

The Netherlands
In the Netherlands in the immediate postwar period, the effects of five years occupation by a foreign power created a remarkable sense of national unity and a strong desire to get rid of prewar class divisions. The creation of the Foundation of Labor by the employers and unions, through which a national incomes policy was developed and administered, was a manifestation of this desire, as was the law passed in 1950 to establish works councils.

Works councils established in Holland differ from those in Ger-
many in that both management and workers are represented, and the chairman is usually the senior manager. Since 1971, the works council has had the legal right to be consulted on a wide range of issues, including some (such as hours of work, health and safety, and pensions) in which changes cannot be made without its specific agreement. Although the government has pursued egalitarian economic and social policies, these have not gone far enough to satisfy the socialist-oriented trade unions in Holland. During the past ten years, both the socialist and Catholic trade unions have become increasingly militant and critical of the policies and institutions that grew out of the postwar period. These union movements, which have agreed on a merger, are no longer closely tied to the socialist and Catholic political parties. Both are in favor of much more vigorous collective bargaining, including strike action, and a radical decentralization of all the institutions of industrial relations.

This radicalizing of union policy has led to a growth of enterprise bargaining and demands for a change in the character of the works councils. The unions are pressing for the chairman to no longer be a manager and for the councils to assume more of the character of joint negotiating committees. The consultative role of the councils has not totally disappeared but the main concern of the unions is to try to use the councils as a means of exercising close control over the managers.

**Italy**

The pattern of enterprise industrial relations in Italy, as in Britain, is primarily based upon collective bargaining. Bargaining used to be confined to negotiations between unions and employer federations, but has now shifted to the enterprise. The works councils, which were originally established in Italy by agreements dating from 1953 and had not proved very effective, have in many cases been radicalized by militant shop stewards, especially in the larger enterprises. The original concept of works councils as consultative committees (concerned mainly with welfare questions, health and safety, and matters related to the improvement of productivity) was largely inspired by employers who had no wish to see the development of plant- and company-based collective bargaining. This concept was never much to the liking of the communist and socialist trade unions in Italy, whose philosophy has always been strongly influenced by Marxist doctrines of class struggle. Militant bargaining is now supported also by the Catholic trade unions, whose social policy has become virtually indistinguishable from that of the communist and socialist unions with whom the Catholic unions have begun a process of merger into one organization. Were the class struggle to be won by the communists is feared that a communist government would bring to an end the collective bargaining process. The coming to political power of the left would almost certainly lead to an internal struggle over whether they should introduce a variant of the East European or Yugoslav system of industrial relations. At the present time, however, the communist unions and communist party are playing a stabilizing role, in collective bargaining and in supporting a coalition which desires to maintain the traditional pattern of industrial relations, with moderate changes; what is uncertain is how long this will continue.

**Scandinavia**

In the Scandinavian countries, collective bargaining has traditionally been highly centralized, conducted by powerful unions and employer federations. At the level of the enterprise, joint consultative committees were established by collective agreements made in the immediate aftermath of World War II. These joint consultative committees were, for many years, remarkably successful. They were an effective channel for communication and in many areas were virtually committees of co-determination. Moreover, they developed a carefully articulated relation to the bargaining role of the unions and the work of union representatives in the enterprise. In spite of this high degree of success, the unions in the Scandinavian countries came to feel that worker participation had to be taken further and developed into a system of industrial democracy in which there would also be employee representation on the boards of companies and an unlimited extension of the right to bargain in the enterprise.

**Great Britain**

In Britain, there was a considerable growth of joint consultative committees during the Second World War and its immediate aftermath. These committees, which were purely advisory, dealt only with matters not within the scope of collective bargaining. Thus they provided management and worker representatives with an opportunity to discuss issues of common interest without compromising the bargaining role of the union or the right of management to manage. These committees proved embarrassing to the shop stewards, however, who quickly made certain they were elected as employee representatives. When issues could not be settled by consultation, the employee representatives rapidly turned them into matters to be dealt with by negotiation. The role of the consultative committee often became, as it has frequently become in the works council setting in France and elsewhere, in effect a pre-bargaining role. This increasingly seemed to management to be a misuse
of the consultative principle and a waste of time, since issues had to be
dealt with twice, probably with the same people involved. Managers,
therefore, often became willing partners with the shop stewards in the
development of an effective system of plant negotiation, and consulta-
tive committees were allowed to wither away.

D. WINDS OF CHANGE: FROM STABILITY TO CRISIS

The Second World War, with its massive upheaval of existing political
and social systems, created an opportunity to recreate basic institutions.
The war left behind a determination not to return to the dismal economic
circumstances of mass unemployment, low wages, and a poverty-stricken
standard of life which had characterized large sections of the working
people of Western Europe before the war.

For almost thirty years after 1945, every country in Western
Europe enjoyed an unprecedented period of economic growth and
high levels of employment. The continued high demand for labor,
although there were periods of recession, greatly strengthened the unions.
As their numerical strength increased everywhere substantially, and many
previously weakly-organized groups of employees (such as clerical,
technical, professional and administrative workers) became unionized,
union bargaining power was deepened and extended.

The influence and bargaining power of the unions was also en-
hanced by the spread of social democracy. In every country steps were
taken by governments to provide substantial improvements in financial
support for the unemployed, the sick and the aged. Better health, edu-
cational and other public services were also provided. Whilst every
section of the community benefited from the growth in economic pros-
perity, strong unions were able to ensure that their members enjoyed
above average increases in personal and social income.

In the first decade after the end of the Second World War, indus-
trial conflict in most countries declined. It was widely believed that this
fall in industrial conflict would continue. As the authors of one study
put it, the strike seemed as if it would “wither away.” Unions had
established a secure and powerful position in the democratic countries
of the Western world, it was argued, especially in Europe. They were
now consulted by all governments on most issues of major economic
and political importance. Their bargaining power was such that they
could not be constrained simply by the resistance of employers; they
had to be brought into the process of economic and social planning,
since only in this way could inflation be prevented; a tripartite system
of industrial relations including governments as well as unions and
management was therefore looked upon in most countries as inevitable.

It became apparent during the 1960s that the era of peaceful and
constructive management-labor relations created after the Second World
War was drawing to a close. Strikes no longer appeared to be withering
away; works councils seemed to be useful, but they were not preventing
the development of new and more conflict-prone patterns of industrial
relations. The development of a more robust, militant trade unionism
was associated with a shift in the structure of collective bargaining from
the industry level to the enterprise. This shift was due to rapid growth
in the size of enterprises, and the emergence of shop stewards and work-
place organizations that sometimes took over the works council (as in
Britain) or bypassed it to favor new shop organizations (as in Italy).
The exception to this development was Germany.

The growth of plant and company bargaining was also part of a
broader social change. The period of postwar reconstruction was over.
The inherent conflict in the union-management relationship had become
more obvious as each side felt the need to advance its interests more
decisively. Centralized pay policies were called into question, at the same
time as renewed efforts were made to make them effective in the face
of an onslaught of trade union demands for higher pay and better condi-
tions of employment. Established systems of collective bargaining were
unable to contain the pressures generated and an epidemic of wildcat
strikes began.

There was suddenly in France, in 1968, a dramatic outburst of
violent employee unrest, followed by a massive wave of strikes which
convulsed Italy from 1969 to 1971. There were many fears for the
future among all classes in France. The government was far from trusted
by the unions, especially since it was in a position to manipulate the
rapidly rising cost of living index and to determine the minimum wage
levels. Recognizing that something positive had to be done, the Gaullist
government raised wages considerably. It also flirted with employee
participation and profit-sharing as a way of assuaging the militancy of
the workers, but this type of paternalism had little appeal to the com-
munists or the newly established CFDT, the former Catholic trade
union federation, which had become increasingly militant and wedded
to the notion of autogestion—workers’ self-government. In Italy, the
workers had also become more militant and determined to push over
a weak government if more was not done by the politicians to ensure
a rapid improvement in the workers’ lot. The substantial increases in
pay conceded to the French unions rapidly removed a great deal of the
heat, but in Italy the government fell, in the face of massive industrial
unrest. To the unions, the new administration was only a small improvement on the previous one. As the shift to the left in the unions occurred, the larger employers in Italy began to see advantages in plant and company bargaining. This development benefited the workers in the industrialized north, but left the impoverished workers in the south still in poverty. In the absence of a strong government, with employers in the north clearly ready to pay high wages, even though this might lead to considerable unemployment elsewhere, militant bargaining was encouraged.

The strikes which occurred in France in 1968 coincided with a widespread wave of student demonstrations. There were many on the left who saw in this coincidence the possibility of making a common cause between workers and students that might herald the revolution that they had long predicted. There was, however, no organic relation between the sudden explosion of strikes, which virtually brought industry and commerce to a halt, and the student protest movement. Nor was any bond of sympathetic understanding and mutual support forged during this period of turbulence. No one can say with absolute certainty why there was such a massive outburst of violent strikes in France in 1968. The previous period had not been marked by a buildup of strike activity or a fall in living conditions, although the rate of increase in real income had slowed due to inflation and attempts by the government to hold down consumption so as to make more resources available for military and industrial investment. The standard of living had been rising at a steady rate of 4 to 5 percent per year for some time, but this considerable increase in real income had not produced high levels of satisfaction, as might have been expected. There were bitter feelings among many workers that they were not doing as well as other groups. These protests could be, and in fact were, dissipated by a massive increase in pay.

The upsurge in worker unrest was most dramatically evident in France and Italy, but it was also manifested in most other countries in Europe. All of them experienced considerable increases in strikes in the early 1970s. Many were wildcat strikes. They often seemed to express frustration and resentment at processes of industrial relations which had been developed to protect the interests of unions and workers, as well as the enterprise and the community.

E. NEW MODELS: CODETERMINATION

Codetermination in Germany

By the beginning of the 1970s it was quite obvious that Germany was the most successful industrial country in Europe. It had succeeded in maintaining a higher rate of economic growth, lower level of inflation and higher level of employment than Britain, France, Italy and the Scandinavian countries. There were many throughout Europe who believed that Germany owed a good deal of its economic success and social stability to its system of industrial relations. This seemed to be the view of the European Commission in Brussels. When draft directives for the establishment of a European Company Statute and the harmonization of the company laws of the member countries were published, they incorporated the concepts of employee representation on supervisory boards and works councils.*

There are in fact three systems of codetermination in Germany. One system—in coal, iron and steel companies—gives the employees the right to elect the same number of representatives as the shareholders on the supervisory board (Aufsichtsrat) of companies employing more than 1,000. There must also be an odd man or neutral member who must be unconnected with organized labor and have no financial interest in the company. The role of the supervisory board is to approve the annual accounts and certain decisions (including such major financial decisions as investment in new plants or plant closures) and to elect the members of the management board (Vorstand). One member of the board of management—the other tier in Germany's two-tier board system—must be a labor director responsible for all matters relating to personnel and social policy. The labor director must have the support of the majority of the employee representatives on the supervisory board; otherwise he cannot be appointed.

The second system of employee participation (introduced in the Works Constitution Act of 1952) differs from the first (introduced in the Codetermination Act of 1951) in a number of important aspects. Employees have the right to appoint up to only one-third of the supervisory board and these have no power of veto over the appointment of the labor director to the management board. Under this arrangement a union representative may be elected only if more than two employee representatives are to be elected to the supervisory board, whereas in the first system—in the coal, iron and steel industries—the union may nominate up to two members from within the enterprise and another from outside with two members nominated by the works council.

In 1968, it was decided to establish a commission of inquiry into the working of the codetermination system in Germany under the chair-

*European Community harmonization efforts are discussed more fully in a later section of this chapter.
manship of Kurt Biedenkopf. This commission, which reported in 1970 after an extremely thorough examination of codetermination, found that the system had served German industry well, but recommended some changes. Special attention was given by the commission to the relationship "between codetermination by employees on the governing bodies of the undertaking and bargaining autonomy as guaranteed by Article 9 of the Basic Law (the Constitution)." The commission was particularly concerned with the question of whether an extension of codetermination by employees would affect the political, economic and legal prerequisites on which bargaining autonomy was based.

The commission expressed the view that it was difficult to keep the collective bargaining functions entirely separate from the codetermination processes; there was some interdependence, though the procedures were separate and different. The commission saw advantages in this and it was clearly concerned that future changes in either the collective bargaining process or the codetermination process should not upset the *modus vivendi* which had been adopted. It might become necessary, the commission thought, to reexamine the constitutional guarantee of bargaining autonomy if the bargaining process came into conflict with the basic premise on which autonomy was based, namely as an institutional means of achieving the social purpose embodied in the constitutional law of the German state.

The commission could find no causal link between codetermination and wage levels, since wages were determined at the industry level. Nevertheless, it was clear to the commission that participation by employee representatives in the governing bodies of undertakings could influence the readiness of the company to award benefits to employees that were outside "supra-company collective agreements." The commission did not regard this possibility as harmful, as long as it did not imperil the competitiveness of the enterprise. The main conclusion of the commission was that there might be a small increase in the number of employee representatives on the supervisory boards of companies, but the increase should not be such as to constitute a majority, which should remain with the shareholders' representatives. The commission thus rejected the demands of the unions for parity representation on supervisory boards throughout German industry. The commission also rejected the proposal, endorsed by the unions, that the appointment of the personnel director be subject to the veto of the employee representatives on the supervisory board, as in the coal, iron and steel industries.

After several years of political dispute, a bill changing the codetermination law was passed in 1976. The new Codetermination Act—the third German system—applies to all joint stock companies and other forms of limited liability enterprises employing more than 2,000 employees—other than those covered by the Codetermination Act of 1951 and its subsequent amendments. The fundamental changes from the 1952 Act are that the number of employees on the supervisory board will no longer be limited to one-third. Under the new law, employees will have the same number of representatives as the shareholders. The trade unions will have the right to nominate two of the employee representatives if their total is six, and three if it is ten.

The system of election is relatively complicated: Enterprises with less than 8,000 employees will have direct elections, but those with more will first elect an electoral college which will then elect the supervisory board members. At least one of the employee representatives on the supervisory board must represent the salaried employees and another must represent the senior executives. Unlike the system in the coal, iron and steel industries, there is no neutral chairman. The chairman must be elected from within the membership of the board; and he must have a majority of both sides, i.e. one-half of the employee and shareholder representatives must vote for him. If the necessary majority cannot be achieved, then the shareholder representatives are free to elect the chairman and the deputy chairman by a simple majority. Thus, in effect the shareholder members are in a position to determine who is to be chairman. This is of considerable significance since the chairman has the right to cast a second vote in the case of a deadlock. Thus in the last resort, control rests with the shareholders' representatives.

The unions are dissatisfied with the 1976 Act. It does not give them the degree of codetermination which they enjoy in the coal, iron and steel industries, nor does it give them any veto over the appointment of the labor director. Although most German employers are ready to agree that the 1952 and even the 1951 legislation has worked well, they are not convinced that the private basis of enterprise could survive if the union aims of parity codetermination were conceded. They fear that the system of parity representation introduced in the 1976 Act gives the employees and unions more than parity in practice, since employees may exercise a veto on the board and influence the appointment of the managers, while also having the right to bargain with management. For this reason many employers support the attempt by some employer federations to have the new law declared unconstitutional. On the other hand, it can be pointed out that the German unions and employees have acted with great responsibility. They are themselves deeply involved in the capitalist system. The German trade union federation (DGB) is the owner of one of the largest banks in the country, and it also owns a major construction company. The unions are large
property owners and have investments in many other enterprises. This close identification of the unions with the success of German capitalism has its critics. Many younger members of the staffs of the unions seem to hold political views that are well to the left—that is they favor the development of a socialist society—and some have sharply attacked the leadership of the unions and called for a more radical social policy. They are also often severe critics of the codetermination system in which the union representatives are in a minority, believing that this undermines the capacity of the unions to pursue militant policies of economic and social reform.

It must be admitted that the degree to which the ordinary employee is involved in this type of participation is very limited. This is almost inevitable and it is made more difficult by the fact that supervisory board members are bound to secrecy on matters that might adversely affect the company. Not surprisingly then, surveys show a low level of worker involvement and a limited satisfaction with the existing system. The real interaction is between the works council, the management board and the supervisory board. There is evidence that this interaction does work in an integrative way. It operates to limit the role of the unions, and also slows down the speed of management decision-making. This is criticized by management as a threat to the competitive strength of German industry. On the other hand, it largely prevents the kind of decisions that give rise to angry union reactions—sudden decisions forced through regardless of their effect on the employees. It is interesting that when an issue goes to the supervisory board the votes are generally unanimous. Even an issue as difficult as the decision of Volkswagen to build an assembly plant in the United States in the wake of a large reduction of the labor force in Germany was handled without degeneration into a bitter social conflict, although it required specific guarantees to the union which, if not fulfilled, may have serious repercussions in the future.

A crucial factor in the success of the codetermination system is the limitation of the collective bargaining process to decisions made at the industry level, since this avoids the danger of the unions negotiating with themselves. Negotiations at the enterprise level are carried out between the works council and the management, without direct union involvement. This has led, on a number of occasions, to conflict between the works councils and the unions. Were the unions to become more directly involved in plant and company bargaining, this would almost certainly create tension more akin to the British or Italian situations. The German system of codetermination is a highly complex system in which the checks and balances operate to modify union and worker extremism and managerial autocracy without destructive effects on the enterprise or the role of unions. Perhaps its greatest virtue is that it has encouraged mutual trust and cooperation, but this could be easily destroyed by a violent change in the environment such as a return to mass unemployment or high inflation or serious political instability.

Board Participation in Scandinavia

In 1972, Norway amended its joint-stock Companies Act to permit employees in companies employing more than 200 to elect one-third of the corporate assembly, responsible for the general control of the company. A main function of the corporate assembly—which has similar responsibilities to the German supervisory board—is to appoint the board of directors and its chairman. Since the method of election to the board is proportional representation, there can be up to one-third employee representatives on that board.

In 1972, Sweden joined Norway and amended its company law to give the trade unions the right to elect two members from among the employees within the enterprise to the board of directors (which is the single-board type). In 1974, the right was extended to central government employees; but employee representatives are not allowed to participate in decisions concerning the aims of the agency, which are a matter for political decision.

In 1974, the Danes, following Norway and Sweden, decided to give employees the right to elect two members of the board of directors of public companies employing more than fifty people. Unlike Germany, Denmark has retained the single management board and it is to this body that the employee representatives are elected. Before the election can take place, there must be a ballot vote among the employees, and an absolute majority must be secured. After a successful ballot, nominations are invited for the two directors and two deputies. Those elected serve for a period of two years. An employee director has the same rights and accepts the same obligations as any other director, except that the employee director must not participate when an issue concerning labor is in dispute before the board.

In all three Scandinavian countries, both senior managers and trade unionists report satisfaction with the minority representation which employees have secured. There is no pressure from the trade unions to seek to emulate the Germans by extending the degree of representation to the parity level. The Scandinavians have come to fear that parity would make for difficulties in the collective bargaining process between management and the unions. Nevertheless, the Swedes and the Danes are discussing proposals for systems of economic democ-
racy which have far-reaching implications for the autonomy of manage-
ment, proposals which will be discussed in a later section.

The Norwegians, who follow a policy which differs from the Danes
and Swedes on industrial democracy, have discussed the idea of intro-
ducing a third-party element into the corporate assembly. One director
would be elected from the local community if the scheme suggested
were adopted. There is a sharp division of opinion within management
and the unions as to the wisdom of such a change. Some managers
think that a community representative would bring the community and
companies closer and would promote understanding. They think this
could be of considerable importance when there may be a conflict of
interest between the company and the community—for example, on
questions of pollution and conservation. Others fear that the corporate
assembly and the board of directors might become a forum for political
debate, and that the net effect would be to weaken and cloud the
decision-making functions of the board. Many trade unionists fear that
they might well find themselves in conflict with community representa-
tives on developments that would create more jobs, but could also
create more nuisance for the community.

The Netherlands
There was strong pressure in the Netherlands to introduce the German
model of codetermination in the early 1960s, and a commission of
inquiry which reported in 1964 (the Verdam Report) recommended
minority worker representation on the supervisory boards of companies.
This proposal was fiercely contested in a debate which lasted almost a
decade. The employers were ready to agree to a broadening of the
membership of the supervisory board to include persons with an expertise
in industrial relations and social affairs, but they were against their
election by the works council since they feared this would lead to
conflict and division within the supervisory board. The socialist trade
unions (NVV now FNV) were doubtful about the wisdom of electing
worker directors since they feared that this would endanger the freedom
of the unions to criticize and to bargain effectively. The Protestant trade
unions, on the other hand, were strongly in favor of introducing the
parity codetermination system established in the German coal, iron and
steel industries. In 1973 a compromise was agreed to by the unions and
the employers, through the Social and Economic Council, which was
accepted by the government and passed into law. The essence of the
agreement, designed to safeguard the position of the different points of
view, was that:

(1) there would be no direct representation of the workers or the
unions on the supervisory boards;

(2) the supervisory board would no longer be elected by the share-
holders, but would co-opt new members as required; members
must retire after four years, but, subject to a retiring age of 72,
would be eligible for reelection; each new member would be
subject to the veto of the shareholders meeting and the works
councils;

(3) if the supervisory board wished to elect over the exercise of the
veto, it would have to seek the approval of the Social and
Economic Council; and

(4) it would be possible in the long-run for the supervisory board to
be made up of two equal groups of shareholders and employer
representatives.

This solution has been satisfactory to management, since in the
four years of its existence it has not resulted in a major change in the
composition of the supervisory boards. The FNV, which has adopted
a position somewhat similar to that of the CFDT in France, takes a
very different view, and is now pressing for the introduction of a system
of parity codetermination as the first step towards some form of workers'
control. The aim of the FNV is to turn the system of codetermination
into a confrontation model. Since the FNV rejects the existing economic
system, it is not in principle prepared to endorse a participative model
which involves union-management collaboration. The FNV wishes to
see established a planned economy, but not a Soviet model of state
socialism. It believes that enterprises should be under the control of
their employees, who should have the right to elect directly the mem-
bers of the supervisory board.

It is worthy of note that, in practice, both the FNV and the CNV
have adopted a rather pragmatic attitude toward the working of the
codetermination system. In the early days of the Act, the dialogue
between the works council and the supervisory board was largely con-
fined to the question of appointing new directors. More recently there
has been an evolution towards more and closer contact between the
councils and the boards. Although there has been a tendency for works
councils to adopt a more aggressive confrontation posture, many workers
and a number of unions do not follow the hard line prescribed by
the FNV.

Belgium, Italy
In Belgium and Italy, there is little support for the German model of
codetermination. The unions are strongly committed to the confronta-
tional adversary model of industrial relations. There is some union
support in Belgium and Italy (from the CISL) for the concept of autogestion, but this is not practical politics. Employers in both countries are not interested in having employee directors on their boards. The main aim of the Belgian and Italian unions is to strengthen their bargaining power at the enterprise level and their political influence at the national level.

France
Committees of inquiry in Britain and France have recommended changes in company law which would permit the appointment of employee representatives. In the case of France, the Sudreau Committee suggested that employees should have the right to elect up to one-third of a supervisory board. It also suggested many other changes that would strengthen the role of employees in the enterprise. The report was enthusiastically welcomed by President Giscard d’Estaing, but it was roundly condemned by the communist trade union federation (CGT) as irrelevant and by the socialist trade unions as not going far enough. The employers considered the Sudreau proposals a dangerous thin end of the wedge, calculated to weaken the role of the employer and ultimately to take the control of the enterprise out of the hands of the existing shareholders.

Although the government is following in the footsteps of General de Gaulle (who was in favor of employee participation) by giving support to the Sudreau proposals, there would seem to be little chance, in the face of the opposition from the employers and the unions, of legislation being passed to make them effective. It is likely that the role of the unions will be strengthened in the enterprise. It is possible that some steps could be taken which would give some satisfaction to the demands of the CFDT, through a strengthening of the role of the comité d’entreprise, but these steps would be likely to stop well short of autogestion.

Great Britain
The proposals of the British Committee on Industrial Democracy were far more radical than the Sudreau Report. A majority of this Committee recommended that the trade unions, through a joint representative committee, should have the right to appoint the same number of representatives as the shareholders. Then the two groups would jointly appoint a third, minority element. The chairman would normally be drawn from the shareholder representatives unless otherwise agreed by the board. One other important difference from the German model would be that the board of directors would remain the traditional British-style managing board. The two-tier board system with representation confined to the supervisory board, as in Germany, was rejected as not giving the employee directors the right to participate at the most important decision-making level. These proposals were greeted by almost unanimous opposition from employers and managers. They were seen not as a means of promoting participation on the basis of cooperation, but as a method of extending the bargaining process from the shopfloor into the board room.

The recommendations of the Committee on Industrial Democracy have not been adopted by the British Government, owing to divisions within the Cabinet on the wisdom and lack of support from the Liberals, on whom the Government is dependent at this writing for the maintenance of its majority.

Many trade unions are also hostile to the Committee on Industrial Democracy’s recommendations. The TUC has welcomed the Report, but it has been compelled to recognize that many of its most powerful unions are resolutely against the committee’s proposals. A number of these unions have made it clear that they will not, under any circumstances, take part in the kind of scheme for the election of trade-union-nominated directors recommended by the committee. The unions in opposition to the proposals span the whole spectrum of political allegiance. The unions on the left, such as the Yorkshire Miners and others with leadership sympathetic to Communist Party policies, are against, like their counterparts in France and Italy, because they consider representation on boards of companies to be class collaboration that weakens the class conflict which, they believe, is the fundamental issue in contemporary industrial relations. Unions on the right wing are opposed for different reasons. They fear that collaboration would weaken both management and the unions. Weak management would produce poor results, which would mean less to bargain for. Collaboration by the unions with weak management would mean a fall in the confidence and loyalty of the rank and file, who might, in the difficult days ahead, desert the labor cause and bring about the downfall of established labor leaders and politicians. If this were to happen, it would almost certainly mean a swing towards the left which could be extremely damaging to these unions.

The Government has decided, if it remains in office, to propose legislation that would permit the appointment of worker directors, but only one-third representation on an upper-tier policy board would be compulsory. Although representation will be mainly through the unions, it will be possible for nonorganized workers to be represented under certain conditions.

This watered-down version of the proposals made by the Committee on Industrial Democracy has not been greeted with great
enthusiasm by trade unions. It has been criticized by most of the employer organizations for retaining powers of compulsion that could be called upon by the unions if they failed to persuade employers to introduce satisfactory industrial democracy schemes. The multinational companies have been especially concerned since it was left unclear in the Government’s proposals whether these companies would be compelled to appoint worker directors to their main boards. British multinationals fear that the appointment of worker directors might lead to problems with their subsidiaries in other countries. Workers and managers in these other countries might resent the presence of worker directors on the main board. It must be noted, however, that this situation already prevails in German multinationals, and does not seem to have created difficulties overseas. Multicompany enterprises clearly do present problems, which the Committee on Industrial Democracy considered but rejected as constituting valid grounds for exempting them from provisions which would apply to all other types of companies. If legislation is introduced on the lines of the Government’s proposals, it is unlikely that multicompany enterprises, whether national or international, will be exempted.

F. NEW MODELS: EXTENDING THE SCOPE OF COLLECTIVE BARGAINING

Collective bargaining can itself be seen as a form of employee participation in company decisions subject to such bargaining. In the past, the scope of decisions subject to collective bargaining has been limited by the concept of managerial prerogatives and by legal restrictions confining the union to certain types of industrial disputes. These restrictions on the scope of collective bargaining have been considerably eroded in many countries since the Second World War.

Sweden

In spite of strong encouragement in Sweden for the development of employee participation in the enterprise through works councils and through the appointment of up to two representatives on the board of directors of companies (established by law in 1975), the unions have chosen not to go further down this road of codetermination on the German model. Instead, they pressed the government to introduce a new law that would give the trade unions a legal right to bargain, if they so desired, on almost every decision that might be made by management.

In 1977, the new law on “codetermination at work” came into force, superseding earlier laws establishing bargaining rights and the joint agreements made by the largest trade union federation (the L.O.) and the Swedish Employers Federation (SAF). The new law gave the trade unions at the local level extended rights to negotiate with enterprise management on virtually any matter they believed important. The unions may resort to strike action if the subject of concern to the unions is not covered by a collective agreement which imposes a peace obligation. The union is free to strike even if it has concluded an agreement on the central questions of pay and conditions of employment. An obligation is laid upon the employer to initiate negotiations with the union of he contemplates making any change in the work process and the management of the company which might affect the interests of the employee. The employer is required to provide employees with information on the company’s plans, the economic outlook, personnel policy and production policy in advance of any changes being made.

This development in the collective bargaining process is widely feared by management as likely to lead to many disputes and possibly strikes at the local level. The unions believe, however, that it will take a long time for their enterprise representatives, who have become used to following centrally negotiated policies, to extend their bargaining role into areas traditionally the preserve of management. However, it is possible, if British experience is any guide, that the encouragement of local initiatives will get out of hand and produce a rash of local strikes which, if not handled effectively, might well turn into a Swedish example of the British disease—the failure of the central trade union organization to maintain effective communication with, and control over, the local union organizations.

The Swedish system of industrial relations has relied upon the effective authority of the executive organizations of its central union and employer federations. Any breakdown in the ability of the central union federations to command the respect of unions in the enterprise could lead to conflict and confusion unless the employers are able to ensure that decisions taken at the center are enforced at the enterprise level. This, in fact, has been a major objective of the Swedish Employers Federation in response to the new act. It is yet too early to predict with certainty how the new legislation will affect the traditional and previously highly-effective policy of outlawing strikes during the period of the major contract. The new bargaining situation will not be affected by employee representatives on boards, since they are not permitted to participate in collective bargaining issues.
Other Countries in Europe

It must be emphasized that Sweden is not the only country in Europe where there is a strong union preference in favor of extending the scope of the collective bargaining process. Unions in France and Italy have sought to develop their collective bargaining role rather than follow the German model of codetermination, and unions in Britain are sharply divided on the question.

Collective Bargaining and Employee Participation

There is not, however, an absolutely clearcut division between collective bargaining and direct employee participation. Elements of both systems exist in every country in Europe, and in very many enterprises both methods of employee and union representation exist. Most countries in Europe have passed legislation to strengthen both collective bargaining and the role of works councils. Disclosure of information is a legal requirement on a wide range of corporate activities—concerning pay, productivity, manpower, expansion or closure of plants, the introduction of new capital equipment and methods of production, and other changes that might affect workers. In most countries, shop stewards and works council representatives have been given important legal rights to intervene and make their voices heard on all questions affecting the safety and health of employees. Time off to engage in trade union and works council activities and to be trained has been made a legal requirement in many countries.

The essential difference between collective bargaining and direct participation is that bargaining depends upon the power of the parties, with a strike or lockout as the ultimate sanction, whereas participation is based upon rights established by law. In practice, however, the division may not be as clearcut as is sometimes claimed. Mutual confidence is a fundamental necessity in any system of decision-making in which the power to damage by irresponsible action is immense, whether that power be exercised in the context of a collective bargaining framework or through direct representation on a supervisory board. European experience has shown that parity codetermination on the German model is effective only if the unions accept that management must be allowed to make decisions that are in the best interest of the enterprise as a whole. This is equally true for unions which have no other rights than to bargain with employers. If by the exercise of their bargaining rights, unions destroy the ability of an enterprise to produce and trade profitably, the result is the same as if it had been achieved through direct codetermination.

What is basically at issue here is the aim of the trade unions. If it is to destroy private enterprise, then any extension of union power, whether by bargaining or codetermination, will bring the achievement of that aim closer. The German trade unions have declared unequivocally that it is not their aim to bring about a change in the pluralist basis of the state, in which the private ownership of capital has a fundamental role to play. If codetermination is sought primarily as a means of changing the nature of the state so as to bring about a socialist system, then it is bound to be resisted by those who believe that such a goal would lead not only to the elimination of private enterprise, but also to the subordination of the rights of individuals and the end of the trade union as an autonomous institution whose function is to defend its members from the abuse of power from whatever it might come.

The trade unions in Denmark and Sweden are satisfied that they have gone a long way towards democratizing the process of management without endangering its efficiency, but they do not believe they have yet gone far enough. They are now aiming at achieving a new level of trade union control by bringing about the democratization of capital ownership by a means other than nationalization.

G. NEW MODELS:
DEMOCRATIZING CAPITAL FORMATION

Employee shareholding and participation in the profits of companies has a long history, stretching back into the 19th century. The original employee-shareholding schemes were often aimed at giving employees a direct interest in the profitability of the company, and were often linked to the condition that they should not belong to a trade union. The anti-union aspect of these schemes inevitably made the unions extremely hostile to them. This attitude towards company profit-sharing schemes is by no means dead, but most contemporary schemes of employee shareholding and profit participation are no longer directly linked to an anti-union policy. Most companies with these schemes nevertheless believe that an employee will be more cooperative and understanding of the realities of business finance if he is a shareholder, and less inclined to listen to those who advocate continuous conflict as the only route to the classless society.

The attitude of many unions towards capital-sharing schemes has changed during the past two or three decades. This has been brought about by a growing concern with the distribution of capital, and with the growth of corporate financing by plowing back profits—leading to increases in the capital values of companies which have accrued, insofar
as they have not been taxed away, solely to the shareholders. A 1966 OECD report* referred to the growing interest among trade unions in proposals for capital-sharing, and a 1970 OECD report analyzed schemes which had been proposed by the unions in Germany, Italy and the Netherlands.† In all these countries, the unions favored voluntarily-negotiated schemes—firstly because the unions wanted the credit for securing the benefits of the schemes, and secondly because some unions were ideologically against such schemes.

The aim of the schemes examined was to bring about economic and social gains to union members that could not be achieved by collective bargaining—by securing a redistribution of capital and giving the unions a greater degree of control over the economic environment. The OECD reports pointed out the many inherent difficulties in the proposals and emphasized that the aims of the unions were unlikely to be realized except in the context of support from both employers and governments.

The French government in 1968 introduced a law obliging all companies employing more than 100 persons to set aside from their gross profits a sum calculated according to a formula related to the added value achieved by the labor force. This sum may be invested according to the wishes of the employee, but cannot be turned into cash for a period of five years.

In Germany, a rather different scheme was introduced as early as 1961. As subsequently amended, it enables a worker to enjoy the benefit of a savings scheme (which may be negotiated by the unions) in which the worker and employer each contribute 624 marks, free of tax, which may then be invested in approved institutions as agreed with the trade union. Profit-sharing has long been advocated by the Liberal Party in Britain, and as a result of its pact with the Labour Party, voluntary profit-sharing schemes are to be encouraged by tax remissions approved by the government.

The trade unions in Denmark and Sweden have adopted schemes for the achievement of economic democracy that are far more radical than others so far discussed, since they are designed to give the trade unions ultimate control over the bulk of equity capital within a term of years. The Danish proposal is based upon the creation of a fund that would be raised by a compulsory levy on the payroll of each company employing more than 50 workers. The starting rate would be one per-

cent, rising by another half percent each year to a total of five percent. Each worker would annually receive one personal share certificate of exactly the same value irrespective of his wage level. The shares could be transferred, but they could not be redeemed from the fund until five years had elapsed from their issue. The money raised by this levy would actually remain in the enterprise, which would cover the shares—lodged with the central fund—to the required amount. These shares would be eligible for dividends as other shares, but the dividend would accrue to the fund and be reflected in the value of the share certificates it issued.

The wage earners' capital and investment fund would provide the basis for the representation of workers at the general meetings of the companies in which the fund was a shareholder. The Danish trade unions see this fund as more than a question of local or general profit-sharing or participation in investment and pension funds: "It is in the final resort, a question of the entire community's democratic influence on economic affairs and economic development, income and capital distribution, capital possession and formation, right of ownership and means of production, banking and financial conditions, tax policy, training and land and housing policy."

The Swedish scheme, known as the Meidner plan, has many similarities with the Danish scheme, but also significant differences. In the Swedish scheme, the fund would be created on the basis of a five percent levy on gross profits prior to tax. The money raised by the levy could either remain with the company or be transferred to the fund. The fund, managed by the unions, would be a major source of new finance for industry, but might also wish to finance social developments which would enhance the welfare of workers. There would be no personal shares.

Both the Danish and Swedish schemes have become the center of an acute political controversy. The business community in both countries sees the development of these centrally-controlled investment funds as a form of nationalization. The unions counter this argument with the assertion that the vesting of a substantial part of private equity capital in their control would prevent the development of a bureaucratized socialist economy. To make the trade unions responsible for a large element of the equity funds of industry would place them on all fours with the banks, insurance companies and other financial institutions. The ownership of capital would remain pluralistic, and not become completely centralized in the hands of the state.

As the owners of a substantial proportion of the total amount of equity capital, the unions would be in a position to influence the appointment of the directors of enterprises. Their role in this respect
would be the same as other financial institutions or individuals owning corporate stock—thus legitimizing the right of the employees to be represented on the boards of enterprises by the right of ownership.

The question inevitably arises of a possible conflict of interest between the obligation of unions as the representatives of the employees and their role as the managers of the capital of the enterprises for which their members work. This issue is clearly of great importance, but it probably creates no more difficulty than that which arises when unions and employees are given the right by law to be represented on the boards of directors without any capital ownership.

One significant difference, however, does arise: The Danish and Swedish schemes will give the unions the power to control the large capital flows. These may be used for other purposes than expanding the enterprise or investing in other productive activities determined by market criteria. It has been suggested that the union-controlled capital funds should be prepared to invest in socially desirable activities such as low-cost housing. If such investments were to be loss-making, it might be argued that the employees, who have a title to the ownership of the capital managed in their name by the fund, should have the right by law to vote on the policy of the fund.

The successful establishment of the concept of economic democracy which the unions in Denmark and Sweden are trying to achieve might have a significant influence on developments in other countries in Europe. The collectivizing of share ownership in a fund managed by the trade unions may become an attractive alternative to either state socialism or the widening of individual share ownership. So long as the unions remain independent, their ownership of shares would be a check on the ownership of all property by the state. The widening of individual share ownership would, it might be argued, provide an even greater safeguard against the overweening power of a socialist state. However, even if there were a radical redistribution of shares to a much larger number of individuals, it is probable that it would not be long before the distribution would again be highly unequal. Meidner believes that only through the unions owning capital on behalf of their members can such reconcentration be prevented. This might prove to be an attractive argument in favor of the Danish-Swedish proposals for those who wish to see a more egalitarian society.

There would, of course, be nothing to stop unions from acquiring equity capital, other than their rules, without waiting on such legally inspired schemes as proposed by the Danish and Swedish unions. Unions in some countries have in fact acquired a certain amount of stock so as to give them the right to be present at annual meetings of shareholders. In the U.S., unions participate in the control of huge pension and health funds.

Alternatively, the concept of an independently managed unit trust fund, as exists in the United Kingdom, enables a trade union to invest its funds in industry without incurring the danger of a conflict of interest, since no union holds directly the shares of any company with which it may have a collective bargaining relationship.

H. OTHER "INDUSTRIAL DEMOCRACY" IDEAS AND DEVELOPMENTS

Cooperatives and Workers' Control

The case for employee capital ownership has been cogently argued by Peter Jay, formerly The Times economics correspondent and now British Ambassador to the United States, on the grounds that employee ownership and control of enterprises is the only solution to the problem of waged-induced inflation.* He agrees with Rudolf Meidner that employees are unlikely to exercise restraint when the effect of that restraint is to raise the capital value of assets mostly held by nonemployees. However, he differs from Meidner in believing that only when employees gain a tangible advantage from ownership are they likely to accept a level of profitability that will enable the enterprise to make a surplus sufficient for reinvestment at a rate that will enable employee expectations to be satisfied without inflationary money wage increases. The weakness of the union capital ownership and control schemes is that there is relatively little direct incentive for the employee to exercise pay restraint and to cooperate with management to achieve a high rate of growth. These schemes, moreover, would have the grave disadvantage of enhancing the bureaucratic image of the unions, which would be perceived as little different from other financial interests that exercise a remote but pervasive control over the management of the enterprise. Although employees would receive some capital gains in the long-run under the Scandinavian proposals, the gains would be much less directly related to the role of the individual employee than is the case in co-partnership and cooperative schemes. It is for this reason that Jay and others have come down firmly in favor of cooperative ownership as the most effective form of employee participation. Although many cooperatives have not been conspicuously successful, the John Lewis Co-Partnership and the Scott Bader Commonwealth in the United King-

dom have demonstrated that it is possible to run a highly efficient and profitable business on the basis of cooperative ownership. The Mondragon scheme of cooperatives in Spain has also had a remarkable record of success.

Two essential characteristics of the successful cooperatives are that they have recognized the necessity of professional management and have rewarded their employees according to their market worth rather than on an egalitarian basis. Although these cooperatives have not refused to recognize trade unions, collective bargaining had had a limited role, since pay and terms of employment are generally determined by management committees which are representative of the shareholding employees.

The concept of workers control—or autogestion as it is known in Belgium, France and Italy—has long had the support of small groups of left-wing radicals in most countries. Today support comes from the former Christian unions in the World Confederation of Labor. The example of Yugoslavia has had a considerable influence over the past twenty-five years, since its system of workers' control is seen as an alternative to the bureaucratic centralism of the industrial systems of other communist countries of Eastern Europe and the Soviet Union. This concept of workers' control is fundamentally different from the cooperative experiments previously mentioned and those which have burgeoned in the past few years, such as the cases of Lip in France and Bendex and Meriden in Britain. The Yugoslav concept of workers' control is based essentially upon the ownership of the enterprise by the state, which is ultimately responsible for its performance. Ownership of cooperatives is held by those who work in them.

Although any considerable and rapid shift towards cooperative ownership would require state intervention, the principle of cooperation does not in itself require the nationalization of assets; it is entirely compatible with private ownership. Interesting as the cooperative experiments have been, there is little evidence that, without major political support, the demand for this type of self-governing enterprise will grow rapidly.

**Participation in the Management of Pension Funds**

Participation in the management of pension funds by unions is probably more common in the United States than in Europe. The right of unions to participate in the management of pension funds has been conceded in some European countries, such as Germany. The legislation to bring this about has been actively canvassed in the United Kingdom. The main objective is to ensure that the investment policy of the funds is satisfactory to the unions. It has been suggested by some union leaders that such union investment provides an opportunity to shift the flow of pension funds from investment opportunities that will ensure a maximum rate of return to the expectant pensioner, to investments that may have a high social value, such as low-cost housing. It is unlikely, however, that a policy of this kind would satisfy those for whom the fund was established, since the low rate of return would be at their expense. Similar problems arise if investment portfolios are chosen to satisfy union sentiments on, for example, South Africa, Chile or Brazil. It may not be more difficult to obtain a satisfactory rate of return on investments if investments in these countries were abandoned, but if this policy were carried to its logical conclusion, a great many countries would be disqualified and the end result would almost certainly be to the disadvantage of the pensioner. Although it is likely that union representatives will be ideologically opposed to certain investments, there are limits to which this policy can be pushed without damaging the interests of union members.

**Worker Satisfaction, Motivation and Productivity**

The achievement of industrial democracy through employee representatives on boards of directors, through works councils or through collective bargaining is often seen as an alternative to more direct methods of participation in decision-making. The difference is between participation through representation and direct participation, between participation at different levels in the hierarchy of company decision-making, and between types of decisions involved.

Decisions on the shopfloor, in the office, or on the coal face or dockside are closely related to the task of the employee. They are essentially decisions about how he shall carry out his work in the most efficient yet rewarding and comfortable way. A great deal of investigation and analysis carried out in many companies has shown that open styles of management with good lines of communication and opportunities to enlarge the area of self-management and group decision-making generally provide higher levels of worker satisfaction.

The movement towards a more participative style of management after the Second World War owed a great deal to the work of a group of social scientists working in the United States and to the Tavistock Institute of Human Relations in Britain. The limitations of an authoritarian management style, and the adverse effects of rigorously subordinating the worker to the requirements of a production system determined solely by technological imperatives, were exposed by investigators in the United States and Europe. A succession of studies showed con-
vincingly that employees would respond to money only up to a certain point. To secure the full cooperation of employees, it was necessary to satisfy other needs that were related to their role and status, and to the nature of the work process and its environment. From these studies developed the idea of enlarging and enriching the job, and of developing autonomous work groups.

In the development of these programs, the initiative came almost entirely from management. It was inspired by a need to overcome problems of rising conflict and other manifestations of distrust and dissatisfaction with the work situation. Another factor of importance were the links between personnel executives and academics who were experimenting and developing theories of motivation and behavior. Management was also often inspired by a desire to keep the employees from turning to trade unions and collective bargaining.

There have been notable experiments in employee participation in all of the European countries. Pioneering work has been carried out in particular in Norway under the leadership of Einer Thorsrud, and the Swedish Employers Federation has reported on the experience of more than five hundred experiments in that country. In Holland, the Phillips Company has carried out important experiments in job enlargement and work structuring. In Britain, the Tavistock Institute of Human Relations has been a persistent advocate of the creation of socioeconomic systems of production in which the autonomous workgroup has a fundamental role. It must be admitted, however, that there is not very strong evidence that these new methods of organizing work have been conspicuously more successful than the more orthodox authoritarian style of management in achieving industrial efficiency measured in terms of output.

Apart from Scandinavia, unions have been little interested in these developments except insofar as they have seen dangers in them. In many cases, unions have feared that job enlargement and job enrichment schemes were little more than management devices to obtain more effort and responsibility from employees without pay increases. In Scandinavia, however, unions have cooperated actively with employers to improve the quality of working life. The best known of the many experiments in Scandinavia is the famous redesign of the automobile assembly process at the Volvo plant in Kalmar. This was not the first experiment of this kind, nor has it been the only one in which management and unions have cooperated in Scandinavia. There have been many hundreds of kindred schemes. Most of them have had some success, but they have neither eliminated the need for management nor the need for unions. There have been few cases where workers and managers have been entirely disappointed, but it has become apparent that there are constraints in the work situation which cannot always be eliminated.

European unions would not, however, accept the views of the American members of the United Automobile Workers who spent some time working in the Saab-Scania plant—namely that American workers were better off working on the traditional assembly line. To most Europeans there need be no contradiction between the achievement of a working environment which enables a worker to enjoy a higher standard of job satisfaction and the attainment also of higher levels of pay and shorter hours. The difference is primarily a difference that arises from the belief held by trade unionists in the United States that improvements in the working environment are only secure if they have been wrung from management by collective bargaining. This American view is an expression of hostility to paternalistic authority and of a deep suspicion that the concessions given by management are not as real as those achieved by U.S.-style bargaining.

There are some jobs that cannot be humanized for technological reasons, and the most effective way of compensating for the sheer unpleasantness of certain occupations may be to reduce the hours worked and improve the pay. Unfortunately, higher levels of pay and shorter hours may not be available in all cases, since this remedy may be too costly to put into effect. It is such circumstances which usually stimulate union membership and union action.

The attitude of most European unions, though by no means all of them, is that a cooperative approach with management may result in great benefits both to the workers and to the enterprise employing them. The unions in Europe which have been in favor of increasing employee participation in the enterprise have not given up their belief that higher levels of pay and shorter hours must necessarily always take precedence over other improvements. Companies which have had most success with an enlightened human relations policy have almost universally been companies which have taken care to ensure that their employees were among the best paid and enjoyed the highest standards of employment in the labor market in which the firm was situated. Nevertheless, a succession of companies in Europe have demonstrated that, if the basic conditions of employment satisfy expectations, industrial relations can be greatly improved if the style of management is geared to the recognition that employees respond to being treated as responsible persons (who are as anxious to cooperate in making the enterprise a success as they are to enter into conflict that will damage the enterprise and jeopardize their own future).
I. EUROPEAN COMMUNITY HARMONIZATION

The European Community is a powerful force at work in Europe that may well have a significant influence on industrial relations systems. The European Commission is seeking a common framework of social institutions which would give effective support to the development of common product markets, common labor markets and common capital markets. The Commission believes that, to achieve those goals, it will be necessary to create a European company law under which it will be possible to establish a European company that will be able to operate in the Community free of the current limitations of national company laws. It will also be necessary to make provision for the harmonization of the national laws under which companies operate, since these are major obstacles to the development of the Community.

In the Commission's view, it is imperative to ensure that employees, who "are increasingly seen to have interests in the functioning of enterprises which can be as substantial as those of shareholders, and sometimes more so..." should be able to influence the decisions of enterprises which employ them." The Commission has further argued that the pressure of technological and economic development will give rise to the need to make changes, sometimes of a radical nature: "Difficult problems of industrial relations will be easier to solve properly, fairly and with a minimum of wasteful confrontation, if there are mechanisms which involve those closely affected in the process of finding solutions. For while such mechanisms cannot always produce complete agreement, they can at least help to ensure a reasonable degree of understanding and an adequate level of acceptance."†

In the view of the Commission, the time is ripe for a general reform of company laws to enable all concerned to take account of the new pattern of employee relations which is evolving with gathering momentum. The legislation proposed by the Commission "seeks to establish common structures which will be a step towards a more integrated, democratic society, in which employees, as well as the providers of capital and managers, can influence the decision-making of those industrial and commercial enterprises which play an important role in the economies of the Community and the lives of its citizens."

The European Company Statute, expected to be adopted by the Council of Ministers, makes provision for a two-tier board: a board of management responsible for managing the company, and a supervisory board for appointing and supervising the management board. Employees will have the right to participate in the appointment of the members of the supervisory board. One-third of this board will be elected by the employees and one-third by the shareholders. The other third will be jointly co-opted persons independent of either the employees or shareholders, who will represent the general interest.

All employees of the European Company will be represented by a European Works Council, concerned with matters affecting the company as a whole or more than one establishment. European works councils will have the right to be informed on the company's affairs, to be consulted before certain important decisions are taken, and to give or withhold its consent on those aspects of company affairs which closely affect employees--such as plans concerning closing or opening branches of the enterprise. The European Company will also be empowered to make a European Collective Agreement if it so desires.

The Commission originally proposed that a 5th Directive be passed which would have compelled member states to amend their laws to permit employees to participate in the selection of supervisory boards, with such participation mandatory for all companies employing more than 500. Member states were to be given a choice between one-third of the members of supervisory boards being elected by the employees or all members of the boards being acceptable to the employees (as in the Netherlands).

After several years of debate on the draft 5th Directive, the Commission published a Green Paper in August 1975. This paper analyzed the development of collective bargaining and participation in the member states. It pointed out the importance of both processes and accepted that "collective bargaining will continue to develop throughout the Community although more in some countries and industrial sectors than others." The Commission doubted, however, whether collective bargaining could form a suitable general basis for Community legislation on employee participation, though the Community must continue to do what it can to promote its development. It also pointed out that practices permitting employees to participate in the decision-making bodies of enterprises had been growing in the member states.

The Green Paper recognized that participative systems were opposed by important social and economic groups--among both unions and employers. It was necessary, therefore, for the Community to take into account divergent as well as convergent developments. In the light of these developments and the debate on the issues of participation in the member states, the Commission decided that a flexible approach would be desirable. Member states should be allowed discretion as to the

†Ibid.
precise models they might wish to adopt. The Directive should not, therefore, seek to impose a two-tier board and uniform rules as to the methods whereby employee representatives are chosen, but should contain general provisions to ensure that representatives are truly representative and that all employees are able to participate in their appointment. If a majority of employees wished not to be represented on a company's supervisory board, or executive board, they ought not to be compelled. It would also be necessary to provide for a transitional period in which companies falling into certain categories might be released from immediately implementing employee representation on the supervisory board, but under an obligation to adopt a system such as that provided by Belgium enterprise councils, which are granted an extensive right to information and consultation without being directly involved in the supervisory body itself.

It is unlikely that the 5th Directive will be approved before 1980. By that time, the Community may have been strengthened by the introduction of direct elections to the European Parliament and by other developments which could help the Commission attain its objectives. It may be argued equally well that the Community will fail to solve the major economic and social problems with which it is now confronted, and that this will make its efforts to bring about more uniformity in company laws—especially as they affect the development of employee participation—an unlikely achievement.

J. HOW MUCH COOPERATION WITH GOVERNMENT AND EMPLOYERS?

The growth of trade union support for participative rights in management is only one aspect of the widening role of trade unions in the postwar period. In every country in Europe, the unions have gained the right to be consulted by governments on almost every aspect of economic and social policy. In some countries this has been arranged through the establishment of Economic and Social Councils, as in the Netherlands, or a National Economic Development Organization, as in Great Britain. In the German case there is no similar machinery, but an opportunity is provided for employers and union leaders to meet with the government from time to time in briefing sessions. These meetings are designed to influence the employers, unions and the government to “concert action,” but they do not take the form of agreements or binding commitments. All three parties are free to pursue the policies they think are most likely to benefit their constituents in the light of the information they have imparted and gained.

Although some trade unions in Europe are committed to a revolutionary ideology and others are not, all have been influenced by the changing economic and political climate, and by changes in the variety of social institutions which influence the well-being of their members. The advance of social democracy has given the unions, even those which favor a communist type of society, a stake in the success of existing arrangements. Even though unions of all ideologies are reluctant voluntarily to limit their own bargaining power, they have been faced by the imperative need to recognize that only by cooperation with governments could they try to ensure that the standard of life of their members would not be undermined by inflation and unemployment. Having to take the national interest into account, as well as the interest of their members, has posed serious problems for the unions. It has called into question their bargaining role, often forcing them to refrain from using their bargaining power to the full. When such restraint has been achieved, it has not been without bitter internal divisions of opinion. Rank and file members have often not been easy to convince that restraint is necessary.

The crucial question for the unions is how far they should go in supporting cooperation with employers and governments rather than pursuing their traditional role of engaging in open conflict. It is clear from the evidence that unions in different enterprises, different industries and different countries have behaved in different ways. The most obvious and simple indication of these differences are to be measured by strike statistics. These show in most countries that most strikes occur in a limited number of enterprises and in certain industries. This is the case whatever the general level of industrial conflict might be. It is also apparent that it is mainly the larger type of enterprise in the mining, manufacturing and transport industries that tends to be more conflict prone in all the countries. This suggests that there are factors at work, such as technology, which cut across national boundaries and influence the pattern of labor-management relations whatever the differences between national patterns.

The national patterns are sufficiently different, however, to suggest that philosophies, attitudes, structures and processes do make an important difference to patterns of labor-management behavior. It is quite clear that in the Scandinavian countries, Germany, Holland and Switzerland, employers and unions have achieved a modus vivendi in their relations that has resulted in much lower levels of industrial conflict than in Britain, France and Italy. There is a widespread belief among employers, governments and the general public that unions, having
achieved the right to participate in the making of national economic decisions, cannot continue to behave as if this development had not occurred. The response of union leaders is that they are often not able to convince their members that it is in their interest to observe restraint in their pay demands, for example, or to cooperate in achieving higher levels of productivity when the result might be to put them out of a job.

There are two major issues at stake here: One is the extent to which the unions make a serious effort to explain the implications of their new role. The second is the extent to which they are willing to stand by the policies they have endorsed. It is clear that the unions in some countries carry on far more intensive and rigorous educational efforts among their members than the unions in other countries. The contrast, for example, between the Scandinavian countries and the United Kingdom is marked in this respect. This difference is in part a difference in the concept of the role of the trade union organization and its relation to government, as well as a difference in size and structure.

Union attitudes towards cooperation with employers to achieve higher levels of productivity and higher levels of profit are affected by social and political influences and by ideological beliefs. Although most unions in every country are deeply influenced by the fact that most of their members put financial gain and job security above their political theories, union activists—shop stewards and union leaders—are often more ready to favor actions which have more radical political orientations, such as the nationalization of industry or the control of investment.

For example, in the case of British Leyland, the stewards have shown limited enthusiasm for active cooperation with management to bring about the major changes that are required to affect the company’s fortunes. Management proposals to obtain higher output have been strongly opposed. Acceptance, where achieved, has generally come only after prolonged negotiations and in such a grudging spirit that the result has been no improvement in performance. The proffered schemes of participation on a range of advisory committees, sought by the shop stewards, have been approved in some plants but rejected in others. The bringing of British Leyland under public control, dependent upon public finance—which the unions wanted and which has permitted the unions to have complete access to all information relative to finance and production—has so far had little or no impact on behavior patterns. It takes time to change an industrial culture, and time may not always be available.

K. THEIDEOLOGICAL DIVIDE:
CONFLICT OR COOPERATION

There is an ideological divide in Europe. Throughout the region many believe that the divide between workers and managers and between unions and employers must be removed in order to cope with the immense social consequences of the economic, technological and organizational changes which are taking place. Conflict, they argue, must give way to cooperation.

This emphasis on cooperation is sharply contested by those who believe that class conflict is not only inevitable, but is the necessary stimulant in the process of dialectical change, leading ultimately from private capital ownership to a socialist system of production and a classless society.

It is, however, not only Marxists, under whatever guise, who hold this conflictual view of industrial relations; strongly motivated entrepreneurs bent on making a success of their enterprise hold firmly to the belief that they must be in sole command. Professional managers, accountable for their performance to boards of directors which judge their success by financial and productive performance, also tend to be hostile to concepts of organization which may undermine their authority and reduce their decision-making effectiveness.

Some non-left unions are also strongly opposed to the idea that they should accept a significant element of joint responsibility for the efficient management of an enterprise. In their opinion, it is entirely a managerial responsibility to ensure that the enterprise is properly manned and organized in order to produce profitably. They perceive their own role as the protectors of their members’ interests. Their task is to secure the best possible conditions of service and higher levels of pay. Management’s duty is to be in a position to meet the demands of the union, or to resist them by convincing argument or, if necessary, by standing up to any form of union pressure.*

On the other side of the ideological divide are those managers who

*It would seem, from a variety of investigations, that individual workers do not see themselves as able to participate in high-level managerial decisions. They wish to be better informed, and they would like managers to know their opinions and to take them into account, but they do not wish to be responsible for making managerial decisions. They are, at the same time, highly critical of managers who are lacking in professional skills, and who respond weakly to threats and challenges. They favor management which is highly competent and discharges its responsibilities firmly and fairly. Nevertheless, when it comes to the carrying out of their own tasks, they resent close supervision and welcome an autonomous group situation and the opportunity for employee representation at higher levels.
believe, with the late Allan Flanders, that under contemporary circumstances they can only wield power by sharing it. They therefore favor a much more open type of management—management by agreement and persuasion rather than by authority and command. They accept that their decisions must be based upon consent not coercion, and therefore are willing to change the formal structure of the enterprise to bring employee representatives on to boards of directors and establish works councils with defined powers and responsibilities.

Many unions are anxious to participate in the role of management. The British TUC, for example, is now in favor of such a development because it believes that this is the only way that the unions can effectively influence certain types of decisions, such as those involving investment in new plant and equipment, the acquisition and disposal of enterprises, the introduction of new production techniques, and the manning of the enterprise. Opinion polls in Britain indicate that the majority of workers favor appointment of employee directors (and think such directors ought to be elected by workers, not simply appointed by the trade unions).

In sum, there is a major conflict of view between those employers and managers who think that increased involvement of workers in managerial decisions would be worthwhile, and in the long run probably inevitable, and those who strongly oppose any such development, believing it unnecessary, damaging and, in the end, unlikely to become the normal practice. The division of opinion between unions is every bit as extreme as that between employers. German trade unions, the British TUC, and the unions in Scandinavia favor the right of unions to elect members of boards of directors and of workers at the shopfloor level to enjoy the right to participate extensively in many of the decisions required in the carrying out of their tasks. Unions in France and Italy, especially those under the influence of communist ideology, are strongly opposed to any such idea, though the former Catholic and socialist unions are in favor of autogestion—a total system of workers control. Unions are divided within some countries. A very strong minority within the British TUC is determined to have nothing to do with schemes of participation, preferring a considerable strengthening of collective bargaining.

L. POSTSCRIPT

By 1975, a world recession had taken hold. Faced at the same time by mounting inflation, governments were taking steps to reduce the money supply and to cut public expenditures. World trade was slowing down, enterprises were cutting investment and production was declining, and inevitably unemployment began to rise steeply. The rate of price increases began to fall, but unemployment rose to levels in many of the Western European countries not known since the 1930s. Remarkably, however, this rise in unemployment did not engender the outburst of social unrest that might have been expected had it occurred five years previously.

There were a number of reasons why this did not happen. One reason was that the structure of unemployment had changed. A much larger proportion of the total was composed of young workers under the age of 25, older workers over 55, minority groups and women. All these groups are relatively weakly organized and without the political strength to bring great pressure to bear upon either unions or governments. Another significant factor was the higher level of family income support and social security. These income support factors have made it possible for many unemployed to live in tolerable comfort even if unemployment continues for a lengthy period.

The problem of unemployment may be much more intractable in the future, since there is growing evidence that technological developments will be far less labor-intensive. It will then be possible to secure large increases in manufacturing output with a falling labor force. If it is not possible to create the appropriate number of new jobs in the tertiary sector, it is likely that all industrially-advanced economies will feel an acute problem of endemic unemployment in the period ahead. It is not easy to predict how significant this development will be or what effect it might have on the pattern of labor-management relations, but some possibilities are obvious. If unemployment does not diminish and possibly grows there will be increasing demands for job security and for a reduction in the working week and working year. These reductions are bound to come in due course, but employers will be reluctant to concede shorter hours, in spite of a general labor surplus, if the cost is not broadly shared across industries and countries—thus the call by some European union leaders for a 35-hour week for manual workers throughout the European Community.

There are good grounds for hope that the more alarming predictions of the future level of unemployment will not materialize since it is clear from recent experience in the United States, where more than six million new jobs have been created in the past two years, that modern technological developments also create vast new opportunities for economic growth and, along with it, employment. The real danger is that governments will be unable to generate a sufficiently expanding
demand for labor because of the fear that the collective bargaining process will lead to massive increases in wages and prices. It is likely, therefore, unless unions and employers can find a basis for an agreement to hold down pay and price increases to noninflationary levels, that governments will be compelled to intervene to achieve this goal. Germany and Switzerland provide evidence that unions and employers can, if they so choose, avoid a runaway inflation of costs and prices and in so doing maintain their autonomy. In most countries, however, it would be realistic to assume that the conditions under which completely free collective bargaining might be achieved are unlikely to be realized. Unions and employers will, therefore, be under pressure to participate in the making of policies which will impose significant constraints on the process of collective bargaining.

III. NORTH AMERICA

A. FUNDAMENTAL ASPECTS OF THE AMERICAN SYSTEM OF INDUSTRIAL RELATIONS

The American system of industrial relations of course shares with its European counterparts such characteristics as the right of employees to combine in trade unions, to bargain collectively with employers and to strike when agreement to sign a new collective contract cannot be reached. In many other respects, however, there are significant differences.

First, unions have no permanent attachment to a political party. Most unions have closer links with the Democrats than the Republicans, but the ties are neither immutable nor exclusive. Gompers' political pragmatism—characterized by the injunction to "reward our friends and punish our enemies"—still largely prevails as the philosophy of union political action. The attitude of management is not greatly different, except that business tends to regard the Republican Party as more likely to pursue economic and social policies congenial to its interest. Management and organized labor tend to look upon government interference with suspicion, but both are prepared to welcome it when it is in their favor and show little inhibition in calling on Congress to pass legislation which will bring them benefit when they think they need it.

Second, by comparison with Europe, the American system of industrial relations is highly decentralized. The central federation of American unions, the AFL-CIO, has little formal power and a number of American unions are not affiliated to it. Collective bargaining most characteristically takes place at the plant or enterprise level; there are some multi-employer bargaining units, but few, if any, that cover an entire industry. Local unions exercise considerable power even where the national union is able to assert its authority fairly strongly because industry is concentrated in a relatively small number of large plants—as in the steel and automobile industries.

Third, although American unions have come to recognize that the exertion of political pressure is an essential feature of trade union activity, they rely perhaps more than any other trade union movement in the world on collective bargaining as the principal means of advancing the interests of their members. Whilst they believe that a national minimum wage law is important, for instance, it is the bargaining power of the union that is all important. This power rests on rights firmly established by law. The right to enjoy exclusive jurisdiction (once a union has won recognition as the bargaining agent) and the right to
compel the employer to bargain in good faith and to sign a contract that can be legally enforced are rights that have ensured that well-organized unions can force employers to make concessions to union claims for improvements in pay and conditions of employment.

The strength of American collective bargaining lies to a great extent in the fact that, because most contracts involve only one employer or even one plant, collective agreements tend to be very specific about wages, working conditions, fringe benefits, discipline, procedures for grievance administration, promotion criteria and layoffs, employment schedules and a wide variety of other work rules. The typical contract has been steadily widened and its comprehensive character makes unilateral action by the employer as restricted as possible. By the same token, management is concerned that the contract be carried out to the letter; outside of the contract they are free to act. Managers are generally unwilling to concede to the union the right to negotiate on matters they consider their sole prerogative (such as decisions relating to investments, new methods of production, plant location and closure), though they may well be forced to agree to procedures which will cushion the impact of such policy decisions on union members.

Collective bargaining has produced for the organized worker—and indeed many unorganized—considerable economic gains and improvements in the quality of working life. Through negotiation many workers now enjoy standards of job security, income maintenance, supplementary unemployment benefits and fringe benefits that were completely unknown in the past. Both employers and workers have benefitted from the development of a sophisticated system of contract administration through grievance procedures which allow disputes to be resolved in the last resort by arbitration, thus cutting down loss of production and workers' loss of income from strikes.

**B. TENSIONS WITHIN THE SYSTEM**

The unions have grown stronger in the United States since the Second World War, but they have not been able to extend their organization, strengthen their bargaining power and increase their political influence as much as the unions in some European countries. Only in the public sector have the unions made new and significant gains. In printing, the ports, construction and mining, where the unions have been traditionally strong, membership has fallen—as a result primarily of technological change—and the unions face a continuous struggle to maintain their bargaining power. In large-scale mass production plants, such as in the automobile, steel, and electrical industries, where the unions have had considerable strength among blue-collar workers, they have failed to organize the increasing proportion of white-collar workers on a significant scale.

U.S. trade unions are seen by some critics as institutions which, having reached an influential status in society with considerable achievements to their credit, have settled back into a complacent inertia, exploiting positions of power by methods that are sometimes corrupt, mismanaging their internal affairs and engaging in political wheeling and dealing in defense of dubious vested interests. This type of criticism may have some validity, but it is unfair as a general explanation and fails to recognize the most potent reasons why millions of workers apparently see the unions as irrelevant.

The prolonged recession over the past four or five years, combined with a considerable change in the structure of employment, has had an important influence. These same factors have also affected recruitment to unions in European countries, but not as much. The difference has a good deal to do with another factor—the relative standing and political support for unions in Europe and the United States. The unions in the U.S. are faced by a resurgence of employer opposition which some regard as more hostile to union recognition than at any time since the 1930s.* The unions have not been able to command sufficient political support in the Congress, or for that matter in the White House, to achieve the legislative changes they urgently desire. The Humphrey-Javits Labor Reform Bill would, if it became law, at least ensure that the long delays which often take place in bringing the employer to book are shortened. It would also make it possible for the courts to impose draconian penalties on employers who up to now have been able to shrug off fines or damages with little difficulty. The problems which face the unions are complex and lie deep-seated in the changes in U.S. industry and the wider society; they are not likely to be overcome easily even if the Humphrey-Javits bill eventually becomes law.

Unfortunately, collective bargaining has failed to protect the economic and social interests of the nonunionized working poor. They are particularly vulnerable with regard to health care, housing, education and training, and it is extremely difficult for them to break out of the

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*With the great shift in the location of industry and the growth of new industries in the high-technology fields, some American employers have successfully persuaded their new employees that unions have little to offer. They have used various means: old-fashioned paternalism, the exploitation of legal loopholes, new styles of management, innovative employee-employer relationships and the encouragement of worker participation in decisions previously reserved for management.
poverty in which they are trapped. Even if the unions are able to
expand their organization, it is unlikely that the problems of these
groups can be effectively solved through collective bargaining; they are
dependent on the Federal and state governments for help.

New pressure groups for women, blacks and the aged have been
strongly supported by organized labor, but the legislation passed to
help them secure their aims has raised serious problems for the unions.
Title VII of the Civil Rights Act is aimed at eliminating discrimination
against blacks and women, but in so doing it has in many instances over-
ridden the seniority rights won by collective bargaining. The Employee
Retirement and Income Security Act, designed to regulate private pension
schemes in the interest of their benefactors, has created problems
for union-negotiated retirement plans. Improvement of health and safety
at work has long been of prime concern to the unions, but the estab-
lishment of the Occupational Health and Safety Administration has
given rise to problems which affect the interests of the unions, as well
as employers, and influence the processes of collective bargaining and
contract administration.

The extension of the role of the government has tended to diminish
the role of collective bargaining and to raise questions about its effec-
tiveness. Over the course of time the particular problems cited above
may be overcome, but if the role of government continues to grow, as
seems likely, the consequence will be to raise more acutely the central
challenge to a philosophy of collective bargaining based upon freedom
of association and negotiated agreements, privately enforced.

The unions are clearly not alone in having to face acute and chal-
enging problems. American business is also confronted with questions
of pressing importance. Measured simply in terms of manufacturing
costs per hour, U.S. productivity has risen less than that of any other
industrial country since 1966. The strength of foreign competition, par-
ticularly in labor-intensive industries, is causing many companies to
look for ways of reducing their wage bill by relocating their plants in
nonunionized areas or overseas, and to seek protection from imports.
Controls on job exports and trade have been strongly urged by the
unions and supported by some employers, but the benefits of an expan-
sion of international trade and the political implications of protection
have deterred any full-scale movement in that direction.

American industry, like industry in Europe, is suffering from signi-
ficant changes in the attitudes of its employees toward work, which
employers believe are affecting productivity. Higher absenteeism, prob-
lems of employee loyalty, labor turnover and even, in the extreme case,
sabotage of production are symptoms of a malaise that has received a
great deal of attention in recent years. There is, however, much dis-
agreement on the extent of these problems and how they should be
interpreted. They are certainly not unique to the United States; they
are a common phenomenon of all advanced industrial societies.

Academic studies suggest that employee alienation is due to the
monotony of assembly-line production, to the growth of large-scale
bureaucratic organizations, to the lack of opportunity for workers to
exercise their own judgment. At the same time, in America as in Europe,
many traditional values—such as ambition, duty and obedience to
authority—seem to have lost something of their past force. Some trade
union leaders deride the notion that the attitude of workers is anything
more than an economic protest against inadequate wages and bad work-
ing conditions. Inflation has reduced the spendable earnings of workers
and frustrated their expectations, as is evident from the hard statistical
facts of movements in pay and prices between 1965 and 1975, but there are
trade union leaders such as Irving Bluestone, Vice President of the
UAW, who believe that employee alienation is not simply a matter
of dollars and cents. In his view, it is also related to stress generated
by the disparity between a worker's role during his hours of employ-
ment and the rest of his daily life. At home and in the community, the
worker has a chance to make decisions concerning his own and his
family's life, to manage his own affairs and to play a meaningful role in
community social and political processes. At work as an employee, he
is expected to accept a different role, one in which he is called upon to
carry out his job quiescently in an authoritarian, hierarchical system
over which he has little influence and no direct control.

However one views these problems, it is evident that they cannot
be tackled through collective bargaining alone, but they have not led
to much support for employee participation in management along the
lines of some European countries. The sharpest difference between the
United States and Europe is in union attitudes toward the concept of
employee and union participation in management. American unions
cherish their adversarial posture. There is no easier way for an Ameri-
This union to lose its members' support than to be seriously suspected of
collaboration with management, as could well occur were a union
member seated on the board of directors. The official position of the
AFL-CIO was summed up in some widely quoted remarks by George
Meany's executive assistant, Thomas R. Donohue: "We do not want to
blur in any way the distinctions between the respective roles of manage-
ment and labor in the plant." Perhaps more important, Mr. Donohue
said American unions already "bargain on more issues than the number
we might have any impact on as members of a board of directors."
There is a superficial similarity between the attitudes of the unions in the U.S. and the communist-dominated unions in Europe which are also opposed to systems of codetermination, but the American unions' opposition to codetermination is based on a desire to maintain the free enterprise market economy, and they are prepared to cooperate with management to achieve this goal. The communist-dominated unions in Europe reject codetermination on the grounds that it would undermine their class struggle; and they use every opportunity to foster their political aim of a communist society—without the freedoms on which current systems of collective bargaining are based.

C. ATTEMPTS TO IMPROVE EMPLOYEE-EMPLOYER RELATIONS

Although beliefs deeply held by employers and unions rule out any major support for European types of codetermination at the board level of enterprises, there has been a remarkable development in the U.S. of joint labor-management committees—plant production committees and bodies concerned with improving productivity, the quality of working life or community relations. In construction, railroads, trucking, the retail trades, manufacturing and the public sector, union-management committees have been established to deal with problems that go beyond those dealt with in the contract. They are not a substitute for collective bargaining but are complementary to it. Issues which labor-management committees have been dealing with over the past few years include "bidding on new work and bringing in work previously subcontracted outside, organizing the layout of machinery and equipment in a new plant and reorganizing it in an old one, helping to select key supervisory personnel, and planning and overseeing quality of work life programs."

Another fundamental change aimed at reducing the level of industrial conflict is indicated in the serious efforts of unions and employers to improve the process of collective bargaining and contract administration. In this respect the role of the Building Trades Joint Committee is a notable example. Under a recent contract endorsed by the AFL-CIO Building Trades Department, the unions in the construction industry have agreed to carry out a massive program for rebuilding part of Washington, D.C. without a strike during the period of the contract.

Mr. George Meany has urged that the unions take a new look at collective bargaining problems, to reduce work stoppages which impose costly penalties on employers and workers.

Recent publications by such bodies as the National Center for Productivity and the Quality of Working Life (set up in November 1975 under Public Law 94-136 "to encourage, support and initiate efforts in the public and private sectors specifically designed to improve cooperation between labor and management") indicate the wide range of experimentation now going on right across the United States—in particular the remarkable growth of labor-management committees established to provide a vehicle for two-way communication and a forum for improving the success of enterprises and the security and satisfaction of employees.

Steel: The Experimental Negotiation Agreement

By all accounts, the agreements between the United Steelworkers Union and the ten basic steel companies are among the most important recent developments in American industrial relations. The immediate background to these agreements was the serious decline in the competitiveness of the U.S. steel industry, characterized by slow growth, stagnating profits and chronic overcapacity—made worse by high labor costs. The industry made the gravity of its productivity problem known to the union in 1971, and it was agreed to establish joint advisory committees in each plant—about 250 committees in all. The purpose of the committees was to work with management on ways and means to (1) improve productivity, (2) promote orderly and peaceful relations with employees and uninterrupted operations in the plants, (3) promote the domestic use of steel, (4) achieve the desired prosperity and progress of company and its employees, and (5) review matters of special concern consistent with the purposes of the committee and provisions of the collective bargaining agreement.

It was accepted by the companies that job security was not to be threatened by any productivity improvements and that committees were not to circumvent any of the terms in the Basic Labor Agreement. The committees had varying degrees of success. According to the union, the best results were achieved when subcommittees consisting of managers and workers were set up in each department of a plant with authority to tackle poor workmanship, absenteeism, and waste of materials and time.

In 1973, the management and the unions negotiated an experimental agreement to reduce the artificial demand for foreign steel which arose from the extraordinary stockpiling of steel by consumers—as
insurance against a strike—in advance of negotiations for a new contract. Whether there was a strike or not, the net result was a loss to the industry and a decline in employment. To overcome this problem, it was agreed in 1973 that, for a period of six years, the union would give up the right to strike the steel companies on an industry-wide basis, though local unions would retain the right to strike in individual plants over local, noneconomic issues. Unresolved disputes at the industry level would be settled by arbitration.

This agreement was seen by some sections of the union as a betrayal of the fundamental principles of collective bargaining, namely that the union should under no circumstances qualify its autonomy by agreeing in advance not to strike. A direct challenge to the agreement was made by a contender in the election of a successor to I. W. Abel, the steelworkers' union president who negotiated the 1973 agreement, but this challenge was overwhelmingly rebuffed by the result of the election.

In the 1977 negotiations for a new three-year contract, the unions and companies agreed on total wage increases of above 30 percent over the three years, higher supplementary unemployment benefits for all laid-off workers, and early retirement with supplementary pensions in certain circumstances. This settlement failed to bring wage increases into line with productivity gains, but had the companies insisted on this, the experimental agreement may well have collapsed. Had a strike occurred, unemployment in the industry would have gone up more quickly and layoffs caused by falling demand would have been less well cushioned. With some hesitation, both sides agreed to follow the provisions of the experimental agreement in the next contract negotiations (1980). It does not follow that all troubles are now passed for the steel agreement. Rumbling opposition continues; the trend of pay increases is still rising faster than productivity; and steel imports are running at an extremely high and threatening level in spite of government protection.

The United Automobile Workers and General Motors

The United Automobile Workers (UAW), perhaps more than any other union in the United States, has often been the first to launch a new approach to problems of social and political concern. Although not always successful and sometimes in bitter conflict with the majority leadership of the AFL-CIO, the UAW has initiated policies which in the course of time have become an accepted element in the policies and programs of many unions.

The automobile companies in America, like the steel industry, have suffered at the same time from growing import competition and mounting problems of productivity, worker attitudes and union pressures for improved pay and conditions of employment. In the early 1970s General Motors initiated new approaches to combat these problems. In 1971 the personnel function was reorganized into an Industrial Relations Staff and a Personnel Administration and Development Staff. Stephen Fuller, Associate Dean of the Harvard Business School, was recruited to be Vice President in charge of the Personnel Administration and Development Staff; and a new Department of Organizational Research and Development was established. The Chairman of the Board of General Motors, Richard Gerstenberg, explained the corporation's attitude: "Productivity is not a matter of making employees work longer or harder. . . . We must improve working conditions and take the boredom from routine jobs. . . . We must increase our employee's satisfaction with his job, heighten pride of workmanship, and as far as is feasible, involve the employee personally in decisions that relate directly to his job."

In 1969 General Motors and the Institute for Social Research at the University of Michigan initiated a study involving four General Motors plants—the G.M. Assembly Division plants at Lakewood and Doraville, Georgia; a Central Foundry Division plant in Saginaw, Michigan; and a Chevrolet Metal Casting plant, also in Saginaw, Michigan. The major goals of the study were:

1. to demonstrate types of human variables which contribute to different levels of performance in similar organizational units;
2. to use this knowledge to diagnose problems, recommend solutions, implement remedial actions and institute managerial policies and practices for continuing improvements;
3. to monitor the program's performance and make changes based on experience and new knowledge; and
4. to make results available for use throughout the corporation.

Based on what was learned, G.M. began to use the concept of organizational development. One of the gains achieved at the Lakewood plant was a 50 percent reduction in grievances over a two-year period.

The UAW became concerned about the unilateral activities of the Organizational Development Department and began to seek participation in future experiments through joint discussion at national and local levels. In 1973 the union submitted proposals to Chrysler, Ford and General Motors to establish union-management committees for the purpose of improving the quality of working life. Agreement was reached on the establishment of these committees only in General Motors, where some noticeable developments occurred.

The G.M.-UAW National Committee to Improve the Quality of
Work Life is a formal body consisting of two high-level officers of the union and two senior managers responsible for personnel and industrial relations matters. At the plant and divisional levels, General Motors has reported that cooperative efforts are increasing. Employee participation in decision-making through team problem-solving is being developed and pilot experiments undertaken. The company and the union are actively cooperating in many areas—including alcoholism and drug abuse, orientation of new employees, selection and training of apprentices, equal opportunity in employment, administration of employee benefits, health and safety, and a variety of other individual and community interest programs.

This development of union-management cooperation outside of the normal field of collective bargaining was commented upon by George B. Morris, Jr., Vice President in charge of industrial relations, at the annual meeting of the Society of Automotive Engineers in March 1977: “Today in General Motors, we are giving major attention to improving the quality of work life of all G.M. employees. We have formed a close partnership with the UAW to better achieve quality of work life objectives. . . . It’s an exciting and challenging area of cooperation and holds promise of substantial benefits for G.M. employees.”

A further comment on these developments by Irving Bluestone, Vice President of the UAW and director of its General Motors Department, has made clear that this union is sensitive to the distinctions between areas of collective bargaining and those where a cooperative rather than an adversarial attitude seems desirable: “Wages, fringe benefits, job security, etc., remain in the collective bargaining arena and I see no contradiction between enlarging the scope of cooperative effort where mutual interest and concern dictate this to be the best course of action while, at the same time, the parties remain adversaries with regard to subjects which lend themselves more naturally to the hard business of confrontation collective bargaining.”

Harman International Industries

A further example in which the UAW has been concerned in cooperation with management to bring about a radical improvement in the conditions of work outside the traditional collective bargaining system is the program in operation since 1973 at the Harman Kardon automobile mirror manufacturing plant at Bolivar, Tennessee. This experiment has received considerable publicity, perhaps because it has come closer to joint employee participation programs that are now fairly common in Europe, especially in the Scandinavian countries, but unusual in plants where industrial relations have been based on the traditional American collective bargaining theory of conflictual union-management relations. Nevertheless it is clear, however successful this experiment might have been, that it has had little impact on the general pattern of industrial relations in the United States.

Work Redesign in Nonunion Settings

Many of the best known and most radical experiments in work redesign or participation in management have taken place in nonunion workplaces. These fall into two groups: companies which are conducting radical experiments (such as General Foods’ pet foods plant in Topeka, Kansas and TRW’s bailbawling plant in Gainesville, Georgia) and companies which integrate progressive personnel management throughout their organizations (such as IBM and Texas Instruments).

The small General Foods pet food plant, which began operation in 1971, has become probably the most widely publicized American example of the team production process. Under the guidance of Professor Richard E. Walton, the plant was organized around self-managing teams of 7 to 14 members. Each team was responsible for carrying out a range of activities such as maintenance, quality control, custodianship, industrial engineering and personnel—including screening replacement members of the team. The aim was to design sets of tasks requiring mental abilities (such as planning, diagnosing mechanical problems and liaison work) as well as physical effort. Pay was geared to the mastery of an increasing number of jobs. It has been frankly acknowledged by Professor Walton that problems as well as achievements emerged during the six years this experiment was functioning. It is not clear whether General Foods will expand upon the experiment by transferring its principles to other worksites, or confine it to Topeka.

IBM, Texas Instruments and many other companies have sought to develop a positive management philosophy that emphasizes a high level of management concern that every employee be treated as an individual and offered every opportunity to enjoy maximum career development. “Speak up” and “open door” policies provide channels of easy access to management. Continuous attention to communications, frequent surveys of employee opinion, and awareness of possible areas of grievance and initiatives to minimize them are characteristic of these companies—as is a determination to increase efficiency through the high level of motivation engendered in employees through compensation policies that place these companies in the upper quartile of the labor market. The failure of the unions to organize these companies is held by their managements as confirmation that they have satisfied the needs and aspirations of their employees.
Employee Participation in Corporate Gains

Although American employers and unions have shown no interest in employee participation on boards of management, they have displayed much more enthusiasm for employee participation in stock ownership. There is no scheme in the U.S. comparable to such European schemes as the obligatory capital distribution one in France, but there are many companies which make provision for employees to own company stock.

Under the Employee Retirement Income Security Act of 1974 (ERISA), special benefits are given to companies which establish employee stock ownership plans (ESOP). In addition, the Tax Reduction Act of 1975 gives an additional 1 percent investment tax credit to a corporation adopting an employee stock ownership plan, so long as the tax credit flows to an Employee Stock Ownership Trust (which has to be created to administer the plan) and the stock purchased is vested in the employee participants. The main objective of this scheme is to enable companies to raise more capital by widening stock ownership in the company. It is possible, in rare circumstances, for the employees to buy up the stock or assume the ownership of companies in grave financial straits. This has been done with the help of a loan from the Federal Economic Development Administration at low interest. The employees become full owners of the corporation as they become vested through the years in the stock held in the Employee Stock Ownership Trust.

Some 200 employee stock ownership plans have been established under these arrangements, but a goodly number of companies had enabled employees to become stock owners on relatively favorable terms for many years before the recent legislation. Stock option schemes are extremely common for executives, though much less so for wage earners. The attitudes of American trade unions towards employee stock ownership have traditionally been at best suspicious, and at worst hostile. In the case of the ESOP scheme, the AFL-CIO has taken a neutral stance. However, a leading official of the Steelworkers' Union has recently written: "Bitter experience with employee stock ownership plans, dating back to the 1920s, teaches us that there is no magic in these undertakings. In my judgment, workers' savings should seek liquidity and safety, perhaps via credit unions rather than enticement into more speculative ventures." In spite of such trade union scepticism, it is likely that these schemes will continue, especially if Congress gives them further encouragement by favorable tax treatment. It is extremely difficult to estimate their long-term impact on the climate of American industrial relations.

It has been argued that much more significant in terms of potential influence are the vast investments of the large pension funds, created by collective bargaining and jointly managed by trusts on which unions and employers are represented. This "pension fund socialism" is seen by Peter Drucker as significantly changing the character of American capitalism.

D. EXPERIMENTAL CONTINUITY OR IDEOLOGICAL TRANSFORMATION?

Experimental Continuity

It can be argued in the light of experience, as Professor John Dunlop has done, that the existing American system of industrial relations—which has evolved out of the unique economic, social and political characteristics of the United States—is not only capable of making the empirical adjustments to meet changing circumstances, but has been doing precisely that. Management and union attitudes, it is argued, are firmly rooted in traditions that make them highly resistant to universal panaceas. They reject the European concepts of participation through membership on boards of directors as irrelevant and damaging both to the effective discharge of the role of management and to the effective exercise by the unions of their collective bargaining role. Labor and management have a healthy respect for each other and this respect ensures that each discharges its responsibilities towards the other. In the United States there is not the gap between shop stewards and union leaders which so conspicuously exists in Britain and leads there to the extraordinary degree of wildcat strikes; nor is there the degree of political interference from the state which is a feature of many of the continental European systems of industrial relations. Even the non-union companies in the United States are influenced by the situation in the unionized enterprises, since management is aware that the company will be organized and come under direct union pressure unless it provides its employees with working conditions and personnel practices that are every bit as good and even to some extent better than the unionized companies.

What the future may hold for collective bargaining and other union-management relations in the United States is not at all clear. There are strains in the system, but these strains do not seem to be pushing the system towards any clearly visible extremes as yet. However, any drastic economic change (such as a sharp drop in the supply of energy, a massive slump, or hyper-inflation) would almost certainly precipitate a crisis in the relations of labor and management and of both with the government. Such extreme occurrences are difficult to
predict, but so was the financial calamity of New York City. The difficulties which confront New York are not unrelated to the immense costs of its services, which reflect the bargaining strength of its employees and the limitations of collective bargaining as a means of dealing with the immense social problems of large-scale urban communities. The city’s inability to pay its bills has had a considerable impact on its public employee unions, forcing them to accept restraint on their wage demands and strike activity. The unions have been forced into a degree of cooperation with the city authorities, who have compelled them to loan pension funds to the city to enable it to stay afloat and continue to provide them with jobs. The unions intensely dislike their role, but circumstances have compelled them to adopt a mode of behavior that previously would not have been countenanced.

**Ideological Transformation**

Professor Lodge has argued that, while American government, labor, and management are indeed proceeding experimentally to adapt pragmatically to changing circumstances, the evolving new structures and procedures reflect an important shift away from traditional American ideology. He contends that the implications of current activity in the U.S. cannot be fully understood unless these ideological implications are made explicit. Furthermore, when this is done, the U.S. experience becomes more comparable to that of Europe and Japan.

The traditional ideology of the U.S., he argues, is centered around the ideas first articulated by John Locke in 17th-century England and associated with the general notion of Individualism. Gradually this Lockean ideology has been eroded; it is being replaced at least in part by a new ideology, which Lodge calls Communitarianism. The transition is the result of a variety of developments—such as the growth of great corporations and large unions; the expansion of the role of government as a regulator, planner, employer, and provider of services; persistent demands for equality; the concentration of population; the growing reality of scarcity on the American scene; and ecological constraints.

Professor Lodge formulates the two ideologies as follows:

**Individualism:** Society is atomistic. The community is no more than the sum of the individuals in it. Self-respect and fulfillment result from an essentially lonely struggle in which initiative and hard work pay off. The fit survive and if you don’t survive, you are somehow unfit. Individuals are equal in the sense that they should have equal opportunity, and they are connected to one another primarily by a contract as buyers and sellers. Property rights are a sacred guarantor of individual rights and the uses of property are best controlled by competition to satisfy consumer desires in an open marketplace. The least government is the best. Reality is perceived best through the specialized activities of experts striving for objectivity.

**Communitarianism:** Individual fulfillment and self-respect are the results of one’s place in an organic social process. If the group is well designed, it makes full use of individual capacities. A good community or corporation adapts itself to inequalities so as to produce equality of result; and consensus is more important than contract in governing human relationships. Property rights are less important than the rights which derive from membership in the community or group, i.e., rights to income, health and education, for example. And as there are rights, so there are duties of membership. The uses of property are best regulated by community need, which is often different from individual consumer desires. The state must plan, coordinate and set visions in order to define community need efficiently and effectively. Reality can only be perceived through an understanding of wholes and systems of wholes.

The transition from Individualism to Communitarianism obviously threatens those hierarchies of management and labor which rest on the old ideology. Managers of large, publicly-held corporations may have difficulty adjusting to the fact that their right to manage will not come so much from property rights and the satisfaction of consumer desires in the marketplace as from those whom they manage and governmental definitions of community need. The relationship between employer and employee will no longer be so much contractual-individualistic or collective—as consensual. Union hierarchies, used to the adversarial contractual setting, will have to find new ways of relating to these consensual arrangements, as is happening in the steel and automobile industries. The contract will become less important, modes of consensus more so.

This is analogous to Europe’s search for consensus in the workplace, although there are clear differences. For example, American unions have never thought of themselves as the vanguard of the working class engaged in a struggle against the “capitalist” owners. Participation in ownership or a seat on the board of directors thus means little; control or influence over management decisions mean more. Boards of American corporations as a rule have little to say about day-to-day corporate operations.

A shift from contract to consensus, from Individualism to Com-
munitarianism, to the degree suggested by Professor Lodge, would give rise to problems of individual liberty which the doctrine of contract was invented to prevent and would raise significant issues for the community. Consensus between management and labor could be at the expense of the public interest if it were to lead to higher costs and prices, restriction of entry, growth of monopoly practices or relaxation of ecological protection. There is a danger that trends towards lifetime employment and security will diminish mobility and flexibility with adverse consequences for efficiency, as well as for freedom. Ways will have to be found, as in other countries, to resolve these problems.

Perhaps the greatest danger of all, one that Americans are particularly conscious of, is the growth in governmental power and intervention. For example, as the costs to society of what Lodge calls “rights of membership” escalate, there will be a propensity—indeed a necessity—for society to stipulate duties as well. The bestowal of rights by the state is one thing; the definition of duties is another. Democracy itself could be threatened by the considerable extension of the role of government which communitarianism entails. It might be argued that knowledge of the danger will prevent it from happening, but this cannot be taken for granted.

E. MORE PARTICIPATION, BUT IN AMERICAN MODES

The United States has been unique in that the main focus of union activity has always been on extending the collective bargaining contract at the enterprise level. In unionized plants there has been no widespread experience of consultative committees, or works councils, on the European model. Such developments would have been seen as jeopardizing the role of the union in the plant, and it would be difficult, if not impossible, to transfer them to the United States.

Management is firmly convinced, whether in a unionized situation or not, that employee directors would not add to the efficiency of the board. In their view, employees are not qualified to serve as directors. If they were, they would be promoted to management posts. Most U.S. managers believe, even where unions are not recognized, that the appointment of employees to the board would undermine the unity of the board. The development of effective personnel policies, good communications and methods of dealing with grievances in a direct and speedy way—and the broadening of job design to maximize the involvement of employees—seem to managers far more practical and effective ways of satisfying employees than appointing representatives to the board of directors.*

Without a considerable change in the attitudes of both managers and unions, which does not appear likely in the foreseeable future, there is little chance that the U.S. will follow European models. The more interesting question is whether the U.S. will develop its own alternatives that would meet the demands for more effective participation, not only at the shopfloor, but at the highest levels of corporate management. Although the American trade union movement is, in many respects, the most conservative in the advanced industrial world, it has also shown a capacity for adaptation to change—sometimes, as in the 1930s, with much travail and destructive strife in a constitutional conflict which it would not be unfair to compare with the American Civil War. When the situation has called for it, unions and employers have shown great inventiveness. When sufficient numbers of American unions and employers are convinced that collective bargaining is failing to meet all the needs of workers and could be effectively supplemented by participative institutions, these could begin to develop.

New developments cited earlier—in the building trades, the steel and automotive industries and a variety of unorganized work settings—are evidence of a shift. Although some might regard these examples as idiosyncratic and unrepresentative of broad trends in the U.S., we feel that managers and the managed in the U.S., as in Europe, are finding that the contract relationship is insufficient and are developing new consensual relationships to meet their needs. The development of long-range planning committees, such as the joint committee set up under the Experimental Steel Agreement, provides an example of an approach that extends the dimension of bargaining beyond the purely conflictual to something that begins to approach the concept of participation on a supervisory board. To make this comparison might seem to some to be outrageous, but it does point to the fact that close cooperation may be essential. It might well be beneficial to both workers and managers if there were in each plant not only a grievance committee but a committee which would act as a kind of shadow board of directors. This would be similar to bodies in Japan and in some European enterprises.

*A relatively simple way of meeting the legitimate fears of managers and unions about union or employee representation on boards would be to create a two-tier board system as in Germany and the Netherlands and limit union representation to the supervisory board. This would enable the unions to have access to a far greater degree of information than at present, to play a part in the appointment of the managing board and to influence long-range planning, without coming into conflict with the union's collective bargaining role in which it would deal solely with the managing board.
Such consultative committees provide an opportunity for employee representatives to be informed of management plans and possible decisions; they also offer the possibility of employees, through their representatives, contributing to management decisions without the danger of compromising the union's collective bargaining role.

Managerial and union acceptance of more participative systems only occurs if there are clear and compelling reasons. A growing number of analysts of trends in the U.S. believe that changes in the economic and social climate will exert increasing pressure on labor-management relations, as they have in Europe, to move in the direction of more participation. Sluggish rates of economic growth, rising unemployment, and technological changes that lead to the dislocation of traditional work patterns are likely to be more seriously disturbing to industrial relations in the future than they have been in the past. The adjustment called for over the next twenty-five years may be manageable within the framework of the established systems of union-management relations, but the conflictual model may not be an efficient one to handle the problems of the future.

Although collective bargaining may be deeply rooted, management may be compelled to seek other methods of achieving a dialogue and an understanding with employees. If this becomes a growing necessity, they may be influenced by experience in Europe and Japan acquired through U.S.-owned multinational enterprises. Most larger American companies now operate overseas and thus an increasing number of executives have seen service in countries which have participative systems as well as collective bargaining. Although American managers express considerable scepticism on the advantages of participation, studies show that most of them admit that experience has not confirmed their fears. They are even ready to admit that codetermination in Germany has not resulted in the problems they were convinced would be inevitable.

It could also turn out to be the case that unions begin to see advantages in participative systems, also influenced by developments overseas. The impact of the Chrysler participative scheme introduced in Britain on the leaders of the UAW is an example of the influence that developments in multinational enterprises might have on U.S. unions. Another way in which American unions may be influenced is through their links with the international trade union federations. Through these federations leaders of U.S. unions come into contact with developments in Europe and learn something of their advantages and disadvantages.

U.S. membership in international agencies such as the OECD, which is greatly concerned about social as well as economic affairs and has organized conferences and research projects on collective bargaining and employee participation, may also have some influence. These associations and the awareness of developments in other countries would not in themselves make a convincing case for suggesting that the U.S. is likely to follow European developments. Nor would the fact that there is a strong and probably growing body of interested opinion which is in favor of patterns of industrial relations that extend beyond collective bargaining and is trying to persuade employers and unions to change their entrenched attitudes and policies.

There is evidence that U.S. managers believe that there will be a shift away from the traditional patterns of managerial and union behavior to more consensual models. Surveys of approximately 3,000 managers made by Professor Lodge and the Harvard Business Review over the past seven years show quite clearly that although managers prefer the traditional patterns of behavior, 70 percent think that Individualism will give way to Communitarianism. It is interesting to note that, under the influence of groups intent on compelling the corporation to compensate the community for violation of its rights, the American business enterprise has become acutely conscious of its social responsibilities. No corporation is now in a position where it can safely neglect this aspect of its behavior. It has had to become conscious of its obligations to the community even to the extent of appointing persons to the board of directors who are specially concerned with this problem.

It could well be that boards of directors, if they become less dominated by executive managers as current trends seem to indicate, will adopt a different perspective on their role and draw their membership from a wider range of interests showing a common concern for the enterprise. This might include the appointment of more men and women who had acquired an expertise in labor problems.

Such a development would be a pragmatic response to evolving needs and one consistent with the American pattern of industrial relations, since it would reinforce trends towards consensus without preventing the expression of legitimate differences and the use of the collective bargaining process to resolve those differences. Nor would it be ana
tHEMA to the American system of collective bargaining if managers and unions developed further the processes supplementary to collective bargaining that we have discussed earlier, even though this might reduce the area of conflict.

It must again be emphasized that where the unions are strongly organized and collective bargaining exists, change will necessarily be set in this context. It is a context in which both management and unions
Canada has had one of the worst strike records. In the past few years, however, there have been significant developments in the direction of improving the collective bargaining process. There have been improvements in grievance procedures, in communication (with provision for advance notice of technological change) and in the establishment of labor-management committees. The scope of bargaining has greatly increased to cover items relating to health and safety, social welfare, educational provisions and improved women's rights. Nevertheless, it is evident that collective bargaining has been mainly a defensive process, primarily concerned with improving levels of pay and protecting employees from the effects of change. It is this negative character of much of the bargaining that has led to a growing demand for more positive and forward-looking policies.

Up to now there has not been any general enthusiasm for the ideas on industrial democracy which have gained strong support in Europe, but the opposition is based much less upon the notion that such ideas are completely alien to Canadian concepts of industrial relations, than upon a concern with how they would be reconciled with collective bargaining. It may be only a straw in the wind, but a 1977 Gallup poll on the election of employees to boards of directors found that 71 percent of the general population, 75 percent of executives and 75 percent of workers were in favor of such participation. There are some examples of companies run by their employees or where the employees elect representatives to the board of directors. These few companies show a successful record of performance, and in some cases have been outstandingly successful.

The Federal Government has established a small task force within the Department of Labor to investigate and provide policies that would bring about an improvement in the quality of working life. A number of the larger companies in Canada have developed job enrichment or job enlargement programs, flexible working hours and arrangements to give workers on the shopfloor greater influence on their immediate work environment and occupational tasks. It is likely that these improvements in shopfloor industrial relations will continue, but it is improbable that there will be any significant movement towards employee directors on the European model without changes in the attitudes of both employers and unions towards cooperation of this kind; and of this there is no real sign.

The prospects are that Canadian industrial relations should continue to improve, if they are not bedevilled by economic depression. New union leaders are emerging and there is a feeling that basic changes are necessary, but the degree of segmentation is such at all levels, except perhaps on the shopfloor of the more progressive enterprises, that radical revisions are unlikely in the immediate future. In the longer run Canada may well come closer to Europe in its style of industrial relations, but this development will be limited by the extent to which Canadian industrial relations are influenced by the United States, if the U.S. remains rooted to its traditional model of management-labor relations.
IV.  JAPAN

The industrial relations system in Japan differs significantly from Western Europe and North America, but it has been considerably influenced by the industrial relations systems of Europe and North America in a number of important respects. This is perhaps not surprising given parallel developments to those in Europe in medieval times, and given that Japan, since the Meiji Restoration, has shown a remarkable readiness to absorb economic, industrial and social ideas from Europe and North America into its own culture with great effect, although at times not without difficulty. Therefore, it is a highly relevant question how far the Japanese system of industrial relations is likely to be influenced by contemporary developments in Europe. So too is the question of how Europe and North America might be influenced by Japanese industrial relations, as they have been influenced by Japan’s technology, efficiency and rapid economic development.

A. MAIN CHARACTERISTICS OF THE JAPANESE INDUSTRIAL RELATIONS SYSTEM

After the Second World War the Japanese system of industrial relations was reshaped to take account of the Western belief that the right to form trade unions, with the right to bargain for improvements in working conditions and the right to strike, was essential in a democracy. Basic labor law was clearly influenced by American principles and practice, though European concepts also were incorporated. Unfair labor practices are prohibited; conciliation and arbitration is provided by public agencies; minimum conditions of work, safety and health standards are laid down; and unemployment and accident insurance and retirement allowances and pensions are provided. However, the characteristics by which the Japanese system is best known are enterprise unionism, lifetime employment and seniority wages.

Trade Union Patterns
The trade union structure is highly decentralized, based on separate enterprise unions. The great majority of the members are to be found in the large companies, where the degree of unionization is far greater than in the medium and small-sized firms. The enterprise unions are linked together through industrial organizations which are affiliated to four national federations. Nearly 40 percent of the 12.5 million union members, however, are members of unions that remain unaffiliated to the central bodies.

The system of enterprise unionism within industrial union affiliations has some affinities with the U.S. concept of union locals within the “international” union. However, the central federations in Japan are much more like the federations in Belgium, France, Italy and the Netherlands than the AFL-CIO. The central federations are essentially political organizations, expressing a political philosophy and closely allied to political parties—with the exception of the politically neutral Churitsororen.

Sohyo, largest of the federations in terms of total membership (36 percent), is linked with the Marxist-inspired Japan Socialist Party. Domei, which is the second largest (18 percent), is aligned with the nonrevolutionary Democratic Socialist Party. Shinsanbetsu, with 5 percent of all members, supports all the non-communist reform parties. Churitsororen, with 11 percent of the total membership, is a federation of independent unions which concentrates mainly on wage campaigns and working conditions.

Japanese trade unions now organize about one-third of the employed work force—less than the average in Europe, but more than in the USA. Some 30 percent of the total labor force is self-employed—far greater than in Western European countries or North America. The trend is for a slow decline in the percentage self-employed and a slow growth in the membership of the unions.

There are growing pressures within Japan bringing the federations closer together in terms of their strategic objectives. The coming into existence, largely to achieve greater economic effectiveness, of the Federation of Metal Workers Unions and the Confederation of Chemical Workers, and similar developments in other industries, has created a climate favoring common actions by the central bodies.

Collective Bargaining
Collective bargaining is conducted at the enterprise level in Japan, but it is coordinated by federations at the industry level and also by Sohyo and Churitsororen and Domei at the national level. Each spring the enterprise unions submit claims for pay increases—known as the “spring offensive.” The response of the enterprises is influenced though not determined by the central employer organization, Nikkeiren. When agreement is reached in the major enterprises in one of the influential industries, this sets the pattern which is quickly and closely followed.
though there may be deviations depending upon circumstances. The medium-sized and smaller enterprises, though less directly involved in the spring wage round, will be influenced by its outcome and will adjust pay levels as appropriate.

Bargaining within the enterprise is less aggressively conducted than in American or British enterprises. There is some element of wage drift, but it is much less significant than in European enterprises. This is partly due to the fact that Japanese wage rates are determined by grades fixed according to an employee’s educational level, age and length of service as well as his functions. Each employee receives an increase made up of a prescribed annual increment plus a percentage or flat-rate increase decided for each grade through collective bargaining which follows immediately the settlement of the average general increase. Collective agreements now cover a wide range of items in addition to wages and hours, including such matters as safety, workshop conditions and welfare, recruitment, transfer, promotion, discipline and discharge.

The negotiation of the basic enterprise agreement is often a laborious process and not infrequently strikes and demonstrations on particular issues occur. Under American influence, grievance procedures have been established in some cases, but these arrangements have not been a particular success, since Japanese workers are reluctant to pursue individual grievances. They may raise an issue collectively, however, if the grievance affects a number of employees.

Consultative Committees

Joint consultative committees exist in 60 percent of all unionized enterprises and in over 70 percent of the larger enterprises. Moreover, even in the enterprises without formal consultative committees, employers are obligated to enter into consultation with a union representative (or, in his absence, a representative of the employees) under the Labor Standards Act, Wage Security Act, and Safety and Hygiene Act. Most joint consultative committees are established by collective agreement and are, therefore, voluntary institutions unlike works councils in Western Europe. Rights of co-decision are not formally established by law (as in Germany, France and the Netherlands), but by agreement (as in Britain and Scandinavia).

There is a complex and subtle relationship between the collective bargaining process and joint consultation. If agreement is reached in consultation on issues relating to the application of the basic agreement on wages, hours of work, economic conditions, manning standards, wage structure and fringe benefit items, the results become either part of a formal agreement or a binding promise. If agreement is not reached, the matter may be referred to collective bargaining. Where matters involving policies and programs on safety and welfare arise, consultation is either formally or de facto a process of joint decision-making and the veto of the union is generally respected. Issues such as the rules concerning large-scale layoffs, transfer to other jobs, and the rules relating to discipline and discharge, if agreement is not readily reached, quickly become the subject of collective bargaining. Questions relating to recruitment methods, selection procedures, education and training, job analysis and job evaluation are usually treated as cases for communication and co-understanding, with a view to obtaining the opinions, understanding and, if possible, approval and support of the union.

On production matters involving company plans and schedules relating to investment, equipment, measurement and control of productivity, and quality control, negotiations are expected to consult with trade unions, although they usually reserve the right to decide. Where executive policies, the financial status of the company and long-range plans for the future are concerned, decisions are often made items for communication, management taking the initiative to report on developments and progress. Where major decisions affect employment and working conditions, such as mergers and plant closures, discussions in consultative committees are treated by the unions as prior discussions to collective bargaining. Thus there are two basic models of consultations: One is consensus-oriented and the other is contract-oriented. In the former the aim is to achieve joint decision through the consultative processes, as with the Domei unions; but in the latter, consultation takes the form of prior discussions to collective bargaining, as with the Sohyo unions.

Recent studies of joint consultative committees have shown some differences of view on their usefulness between various trade union federations and between them and the employers, but the majority opinion is that they have served both parties extremely well. They have matured into an institution which, it is generally accepted, works well both as a means of joint consultation and as a preliminary stage in the collective bargaining process. However, it is clear that joint consultative committees have limitations as a device for enabling workers to voice their demands and opinions. They are essentially a means of involving

*With enterprise unions embracing an heterogeneous membership by job, age, and sex, there is a general tendency, reinforced by a tradition of managerial authority and consensual acceptance, for the union to refrain from taking responsibility for decisions that concern individuals. But it is not unusual for the union to examine the adequacy of the rules that have been applied. It is for this reason that the American concept of a grievance procedure has not caught the interest of the Japanese.
the officials of the unions with management at the plant level more than at the level of the whole enterprise—often a large-scale multi-company conglomerate.

B. PRESSURES FOR CHANGE

Collective bargaining and joint consultation operate in Japan in a different context from either the European countries or North America. By tradition, the Japanese emphasize individual responsibility to groups—be it the family, the enterprise, the union, or the state—to a far greater extent than the Europeans or the North Americans. The cultural values and social structure in Japan are much closer to the communitarian pattern. In the area of industrial relations this has led employers to recognize their responsibility for the welfare of their employees. By the same token, employees recognize their responsibility to the enterprise.

The establishment of trade unions created a problem since it brought about a conflict of loyalties. The Japanese are familiar with this problem, however, and have developed a way of reconciling their dual loyalties—by distinguishing when they are entitled to enter into a conflict with management and when their primary duty is to accept the need for consensus. The limitations on the role of collective bargaining and the structuring of the activity of joint consultative committees have been determined by the need to reconcile conflicting loyalties. Social values and their derivative behavior patterns are not inescrutable.

It is evident that there are at work forces making for change. These forces, set out in a number of recent studies, are quantitatively similar to those emphasized in the analysis of trends in Europe and North America in this study, though there has not been in Japan, unlike elsewhere, any conspicuous overt sign of declining workmanship or industrial morale.

High rates of economic growth and the accompanying high demand for labor have profoundly influenced social attitudes and behavior. The closely-knit family has been weakened by the increase in social mobility. The development of modern urban life in exploding cities has led perhaps inevitably to behavior patterns more akin than before to those in Europe and North America. Although such changes in Japan have grown along with a much higher degree of social mobility and a conspicuously lesser degree of social disorganization than in other industrial societies, the pressure for changes in authority relations has been apparent in many social organizations.

With economic growth has come a great expansion of education and other life chances. This development has further encouraged individual ambition and initiative, social aspirations, and readiness to challenge established values and institutions. There have been manifestations of opposition to the existing pattern of industrial culture and demands for a better way of life—as in the movements of environmentalists, tenants, and consumers.

The growth in the size of enterprises and the advance of technology have provided greater opportunities for large numbers of employees to enjoy lifetime employment security, higher levels of pay and more rapid promotion. These developments have also brought about significant changes in social psychology and life styles. Correlative to such changes, there have been in the last decade or so significant changes in participation systems at various levels.

At the workshop level—in addition to the participative and communicative systems developed earlier involving workshop consultation, management-worker conferences, suggestion systems, in-plant news bulletins and opinion surveys—there has been a widespread introduction of (1) management by objectives, (2) ability development plans, and, most importantly, (3) subject-related autonomous groups, such as “quality circle” (Q.C.) groups. The shopfloor Q.C. group, although it is a group of operatives, engages in quasi-professional task force activities which identify problems, analyze them, make experiments and recommend improvements. The subject-related autonomous group formula has had widespread acceptance and has become a pervading feature in practically all of the large and medium-sized firms. It has been regarded as a significant breakthrough in the history of industrial work not only by the Japanese, but also by overseas engineers and personnel specialists. There are those who believe that the Q.C. group formula has played a major part in achieving the high quality of Japanese industrial products. Recently much enthusiasm for the formula has been shown, not only by Korea and other rapidly industrializing market economies, but also by engineers and managers in the People’s Republic of China.

At the enterprise level, there has been a conspicuous growth of joint consultative committees supplementing the earlier development of joint consultative committees at the plant level and paralleling the development of enterprise-wide collective bargaining. There has been a clear tendency for joint consultation at this level to involve discussions of major corporate business and production decisions. With this development in mind, the Japan Productivity Center recently suggested one way of achieving a Japanese system of participative codetermination:
the introduction of a joint management policy council made up of trade union and management representatives, which would discuss the same matters as the board of directors and function as an advisory organ to top management. A joint management policy council of the “shadow board” type has been tentatively introduced in a number of large firms in recent years; this step has functioned for trade unions as a way of extending participation.

Although space does not permit a detailed discussion, there has also been a significant increase of joint consultative machinery at the industry level. Another development has been the promulgation in 1970 of the law on workers’ “property accumulation” and its revision in 1975; this is, in brief, roughly equivalent to the German scheme for workers’ property formation.

In the last few years, recession, rising numbers of bankruptcies, higher levels of unemployment, and rising inflation have brought worry and concern to all sections of public opinion and led to an atmosphere favoring more social consensus and participation. After the oil price rise, the number of trade unions participating in deliberation councils dealing with policy formation in companies increased markedly at the national level.

There can be little doubt that these consensus features of the Japanese system of industrial relations have played a major part in the avoidance of a much worse economic situation during the world recession. In fact, Japan has succeeded in maintaining a heavily favorable balance of payments and a currency which continues to increase in strength. Other countries are much concerned by the Japanese success, but to respond simply with trade restrictions would be a shortsighted way of meeting the challenge. The more positive reaction would be to learn from the Japanese system of industrial relations, as the Japanese have learnt from the Western world.

Some observers believe that some important features of the Japanese industrial relations system—especially life-time employment and the seniority wage system—will be affected by the slowing down of economic growth and rising labor costs, which will call for reductions in the labor force of enterprises and later retirement ages. Such change, however limited its extent and depth may be, would give rise to considerable problems and would almost certainly lead to demands from the trade unions for an increased participative role both within the economy at the national level and within the enterprise.

C. PROPOSALS FOR INCREASED PARTICIPATION

New European measures leading towards industrial democracy have excited interest in Japan and stimulated an already emerging current of opinion favoring a review of the role of joint consultative committees. Both unions and employer organizations, as well as academics, have shown a strong interest in European developments, but with differing degrees of support or opposition. Domei has displayed a great deal of enthusiasm for participation, whereas Sohyo has been critical and the others have taken a neutral stance. Employer organizations have been more cautious, but some individual business leaders have expressed the opinion that Japan may well in due course take strides down the same road as Europe.

Domei has begun an inquiry into the possibility of establishing a system of participation through a board of auditors. The object of the union would be to secure the right to nominate representatives to the board, which would have a role similar to that of a supervisory board in a German corporation. The other three central federations have not issued any policy statements on the concept of representation on boards of directors, but the Federation of Commercial Workers Union (Shogyororen) is studying the merits of the establishment of a council in each enterprise composed of senior management and union officers who would be empowered to carry out consultation on the agenda of the board of directors.

Three of the four central employer bodies have made statements on employee participation. Nikkeiren, the Federation of Employers Associations, stated in January 1976 that the “conditions and timing for a worker-director scheme have not as yet generally matured except in enterprises having special labor relations.” Nisso, the Chamber of Commerce and Industry, covering a considerable number of medium to small business organizations, said in October 1976 that “leaving the question of the future possibility aside, there is at present no necessity or urgency to spread the European style of worker director.” Keizaidoyoukai, the Committee for Economic Development, consisting mainly of bankers and industrialists, stated in May 1976 that “as it now stands, it is difficult to see the necessity for this institution, but for the medium- and long-term future it may be necessary to study and perhaps introduce such a scheme in order to secure a high degree of efficiency and social justice.”

The Japanese Productivity Center, an independent but government-supported agency, has been a strong supporter of increased participation through a strengthening of the consultative committees. The Center has
recommended a shift of the "major agenda of the joint council at the enterprise level from the matters related to daily problems or immediate short-term issues to the matters of a higher dimension involving such problems as the basic business policies and major management programs of the enterprise." The Center suggested the establishment of a top-level joint policy council in each enterprise drawn from a far wider range of people. In the long run, it has considered that one way of achieving participation would be through union representation on a board of auditors.

Gondai Soken, a study group made up of independent persons and union leaders from center organizations, issued a statement in September 1976 which called for parity codetermination as a long-term goal. Participation in the stockholders assembly should be considered in addition to participation on either a one- or two-tier board of directors.

The Ministry of Labor has not adopted an official position since there are divergent opinions in the various sectors of society directly concerned. Until there is a clearer consensus, it is in favor of seeking improvement in the existing joint consultative committees.

Despite the divergent attitudes in the various groups, there is a wide measure of agreement on three future directions:
(1) to improve the joint consultative committee system in order to increase the significance of worker participation or influence on major corporate decisions;
(2) to encourage this development by voluntary agreement rather than by legislation; and
(3) in order to meet needs that may arise in the longer term, to introduce some new institutional arrangements to provide for worker representatives on a board of auditors or some other top management organs.

In all likelihood, the joint consultative committee at the enterprise level—which spread rapidly after the mid-1960s and is now a pervading feature in larger and medium-sized firms—will develop further to enhance the level of worker participation in major corporate decisions. This is the aim of the majority of those concerned with future industrial relations.

In conclusion, the industrial relations system in Japan, at least in the large and medium-sized firms, is evolving towards a pattern made up of elements of collective bargaining, consultation and codetermination. The institutions and processes that are emerging are growing out of cultural, economic and social factors peculiar to Japan, but they are being influenced by developments taking place elsewhere. The strongly enterprise-oriented system of trade unionism in Japan and the underlying strength of the basic attachment to group responsibility and harmonious resolution of conflict, except where specifically sanctioned by clearly understood and accepted rules, are likely to reinforce the trends which have been identified.
V. CONCLUSION

A. SOME COMMON TRENDS IN DIFFERENT SYSTEMS

The more industrial relations systems are studied, the more evident it becomes that each one is a product of circumstances unique to each country. At the same time, there are factors in the processes of industrialization and economic development which have made for some convergence, as Dunlop, Kerr, Harbison and Myers have cogently argued in their classic work, *Industrialization and Industrial Man.* This does not mean that any two systems of industrial relations will ever be exactly alike. Parallel lines may travel side by side, but meet only at infinity.

Although their histories differ in many respects, all the countries examined in this study are at an advanced stage of industrialization and each has produced a system of industrial relations in which the trade union has a major role. Collective bargaining, which was virtually non-existent thirty years ago in some of the countries examined, is now everywhere a vital process in the determination of the rules which regulate management and labor relations.

Each country recognizes the rights of management and unions jointly to participate in the determination of terms and conditions of employment. There is, however, a considerable difference in the extent to which the activities of management and unions in these respects are regulated by bargaining or by law. In every country, the degree of freedom which may be exercised by management has been increasingly limited by the establishment of legal conditions regulating the employment of labor and extending the rights of individual employees and their unions. Some countries rely upon regulation by law and its administration through statutory agencies to a far greater extent than others.

Over the last twenty years, all the European countries have witnessed similar developments. Trade unions have been encouraged by legal protection and have grown stronger; old divisions between labor organizations have become less significant, if not entirely eliminated. Collective bargaining has become more decentralized and wider in the scope of decisions covered. Management has been compelled to be less authoritarian, to disclose more information and to limit “managerial prerogative” (to decide on issues of concern to employees without consultation or negotiation) to an ever-decreasing range of decisions.

These trends have been reinforced by legislation giving employees increasing security of employment; rights to be adequately trained; protection against discrimination on grounds of sex, race, and religion; protection against dangerous working conditions; and shorter hours and longer holidays. Perhaps the most important development has been the growth of participation of workpeople and their unions at all levels of decision-making—at the shopfloor, in the boardroom, in the local community and at the level of government. Participation in Europe has been achieved through collective bargaining, through direct participation at the place of work, and through employee representation on boards of directors. No one in Europe expects these trends to be reversed. On the contrary, they are expected to develop further. They have not, it is abundantly clear, produced the same industrial relations model in every country. There is, however, a Europe-wide debate as to the merits of different models of collective bargaining and different models of more direct participation.

The unions on the communist left are generally against any form of participation other than by collective bargaining in the private sector. They fear that participation will amount to class collaboration and will undermine their bargaining strength. Socialist unions are more pragmatic; some are keen supporters of codetermination on the German model, others favor the Swedish model of extending the scope of collective bargaining, and the former Christian trade unions have become strong supporters of workers' self-government. The employers too are divided. Outside of Germany, few would be prepared to accept the old or the new concept of parity codetermination. But in every country they are prepared to recognize that the future will bring a greater degree of participation—through the election of worker representatives to boards of directors, the extension of the role of works councils and shop stewards committees, or the widening of the scope of collective bargaining.

The situation in each country in Europe is in a state of flux, with significant developments in both collective bargaining and other forms of employee participation. There is no evidence that the development of participation has led to the abandonment of collective bargaining. Collective bargaining and systems of participation are flourishing side by side. Where either system predominates, it is unlikely that it will easily be replaced by the other. Looking ahead, the signs point to an extension of both collective bargaining and employee participation in the making of management decisions in the plant and enterprise.

The evidence from this study suggests that Japan is moving in the same general direction as the European countries. There is a growing recognition of a need to promote participative mechanisms, but with differences in emphasis concerning the roles of trade unions and consultative committees. There are no examples of direct participation on the boards of companies, but structural change is under discussion and methods such as audit committees may be devised that fit Japanese circumstances.

The situations in the United States and, to a lesser extent, Canada are very different from Europe. There is a similarity in that the managements of many companies have taken positive steps to develop direct methods of worker or employee participation in supervisory and managerial decision-making. There are few examples of employee participation on the boards of directors, although there are some cases of union leaders being invited to serve on company boards because of their experience and special knowledge of labor matters. Nevertheless, the dominant attitude in the United States, on the part of both employers and unions, is one of opposition to the idea of participation and a preference for strong collective bargaining. There can be little doubt that there exists in the unionized enterprises a highly developed system of union representation which theoretically could include every aspect of management decision-making. In practice, however, management clings strongly to its established right to manage, only conceding to union encroachment when, as in the steel industry, it is compelled by economic circumstances. In nonunion settings, and this means nearly 80 percent of all employees, there is considerable and varied activity designed to give all employees a greater sense of influence in and control over their working lives and places.

In all three regions, much depends upon economic and social trends. If there is a return to moderately full employment, a steady increase in output, and a low level of inflation, the changes taking place in the patterns of industrial relations are likely to proceed at a moderate pace. If, however, unemployment continues to rise, inflation remains a problem and real growth is very limited, the struggle for available resources and control of production processes will become more acute. In these circumstances, it is likely that governments would attempt to exert a greater degree of control at the national level over wage bargaining and industrial conflict. Corporate managements would be under considerable pressure to make concessions through collective bargaining at the plant level; and unions in some countries, especially Scandinavia and the United Kingdom, might press for more radical schemes of participation.

B. PARTICIPATION NOT A PANACEA, BUT . . .

It is abundantly clear that increased participation and the substitution of consensus-based decision-making for traditional adversary systems do not of themselves provide an automatic solution for such problems as low productivity, inadequate capital accumulation and investment, or cost inflation. Indeed, participation may perpetuate endemic problems in industrial relations systems—such as the tendency for unions and enterprises to develop bureaucratic features. This may be more of a problem in some societies than others. Where there is a natural tendency towards bureaucracy, it may be made worse by a reduction in conflictual processes.

There is much evidence that increased participation reduces alienation towards work, but there is little hard evidence that it actually increases productivity. It may do this, but the evidence from a variety of types of participative systems is far from conclusive. Indeed, where the major obstacle to achieving a more participative system is technological, as in an assembly line process, changing from a flow to a batch production system to permit more direct participation might be extremely costly and produce unsatisfactory economic results. Volvo is apparently satisfied that this has not been the case with its famous experiment at Kalmar, but it is certainly the fear of unsatisfactory economic results which deters other automobile manufacturers from following the Volvo example.

The evidence from Japan does suggest that well-established systems of direct and representative participation, linked to the collective bargaining system, are an important means of underpinning managerial legitimacy and of winning support for change, although there may be no direct improvement in efficiency. The fundamental reasons why the Japanese system works extremely well lie, on the one hand, in the respect employees have for management, and, on the other, in the readiness of management to consult its employees and to see advantage in having their advice and assistance.

Japanese experience confirms that extensive participation may lead to slower decision-making. Against this, it seems possible to make decisions that are technically superior and to carry them out, even when they involve major changes, without the bitter conflicts that are often a characteristic of more authoritarian systems and systems based upon the institutionalizing of conflict. Speed is probably of far less significance in the making of major decisions than thoroughness in analysis; and even if it takes time to ensure that all those who will play an important role in carrying out decisions have had an opportunity to
contribute to their making, it is through such involvement that full commitment to the decisions is most effectively achieved.

Works councils and board representation have been criticized by supporters of collective bargaining as less than fully effective methods of regulating and controlling the power of managers. Much of the power of management arises from its role as a provider of technical expertise. This is an essential function that must be supplied in every organization, for without such expertise there would be a slowing down in development and growth. Participation enables more information to be made available to all those involved, but information flows can overwhelm and confuse as well as provide the basis for effective influence and rational judgment. Much depends on how information is made available, when it is made available and how it is used. One of the difficulties is that many decisions have a long gestation period—they build up gradually, piecemeal, over a long period. Participation may lead inexorably to a commitment to an ultimate decision that in its effects gives rise to severe strains and even rejection of endorsements given at an earlier stage. The result may be to bring about distrust and dissatisfaction with the participative process among both workers and managers. An effective and continuing effort to ensure that understanding is widespread is required to prevent such a gap from appearing between those who have access to information and have given their approval to the decisions and those who are not involved in the decision-making but are affected by the outcome. Balancing the need for confidentiality against the openness and democratic process through which commitment is achieved is a continuous challenge.

This balancing requires a readiness on the part of both managers and unions to cooperate with each other. Unions must recognize, as they do in Japan, that participation is not a substitute for management; and managers must recognize that participation is an essential element in their functional and social responsibilities. Participation is an imperfect process, but it offers to employees, managers, trade unions and governments a means through which to achieve a rewarding working life, and to satisfy legitimate expectations of workers and their unions.

In summary, what is at stake in these developments is (1) the long-term role of the unions; (2) the efficiency of management; (3) the welfare of the individual employee; and (4) the welfare of the wider society. While increased employee participation brings many benefits, we must also recognize great doubts among important sections of opinion everywhere as to the wisdom of these developments. With regard to the long-term role of the unions, there is a strong current of opinion which sees the unions destroying themselves by becoming too closely identified with management, while another critical current sees unions becoming increasingly dominant, with deleterious effects on the role of management. Many managers see their efficiency impaired and their independence undermined by these developments. They fear that, if the unions secure a veto power, this will make it difficult for them to respond quickly to changes in the demand for products, to the need to introduce new technologies and new methods of production and, equally important, to the need to expand business activities in new locations and close down operations in old ones. With regard to individual employees, it is argued that the greater involvement of workers and unions in the making of managerial decisions—at the board of directors level and at the various levels of management from the shopfloor upwards—will lead to decisions that benefit individual workers and extend democracy in the widest sense. There is also the danger, however, that while this would be fine for employees in favored plants and industries, it might not be so advantageous for consumers and other sections of society. This is one of the reasons why there is strong support in Europe for consumer as well as employee and union interests to be represented on supervisory boards.
SUMMARY OF THE REPORT

Collective Bargaining and Employee Participation in Western Europe, North America and Japan

This study examines trends in the industrial relations systems in Western Europe, North America and Japan. The focus is on changes in collective bargaining and on the development of other forms of employee participation in managerial decisions.

Collective bargaining, though its pattern varies widely, is now strongly established in all of the countries covered. There is a general trend, stronger in some countries than others, toward an extension of the scope of collective bargaining in terms of the issues and decisions covered. The importance of collective bargaining is evidence of its advantages as a process to reconcile conflicting interests in employment relations, but its limitations have also become apparent, both within the enterprise and at the level of the wider society. Within the enterprise, collective bargaining provides an insufficient foundation for the legitimacy of managerial decisions, often not covering a wide range of decisions of great importance to the welfare of employees. In the wider society, collective bargaining processes have given rise to continuing problems of inflation and led to conflicts over adjustments to technological and economic change. Conflict is inevitable in labor-management relations, but without cooperation based upon an ideology that makes it possible to develop constructive industrial relations, the marvels of modern technology and raised expectations may lead to disaster.

Alternative forms of employee participation in managerial decisions help provide the basis for enhanced cooperation. Employee participation, which varies widely among countries, has developed at different levels: At the shopfloor level, various arrangements for direct employee participation have emerged, such as semi-autonomous workgroups. At the plant or enterprise level, works councils and consultative or joint committees have developed to varying degrees in all three trilateral regions. At the level of boards of directors, worker representatives are now present in a number of European countries. At a somewhat wider level, plans have been developed in some countries for major union participation in capital ownership and allocation. At the national level,
arrangements exist in a number of countries for union (and employer) participation with government—through tripartite consultative bodies, for instance—in the making and administration of national economic and social policy. It is the middle three of these five levels that particularly interest us in this study.

Collective bargaining differs in significant respects from other methods of participation, although the two processes may overlap to a considerable extent. In collective bargaining, the relationship between union and management is adversarial. Each side knows that, though they may be compelled by circumstances and law to recognize mutual advantage in agreeing with each other, a gain for one may be a loss for the other. The nonbargaining participative process, by contrast, is based upon the principle that managers and employees share to a large extent a common interest and that there is mutual advantage in its recognition.

**Western Europe** (Chapter II)

Alternative forms of employee participation are more fully developed in some European countries than anywhere else in the trilateral regions—with regard to works councils, worker representatives on boards of directors, and “democratizing capital formation.”

Works councils were established rather early in the postwar era in a number of European countries. The most dramatic development was in the early 1950s in West Germany, where works councils have become an extremely influential body in most enterprises. This influence is exercised independently of the trade unions, but in contact and collaboration with them. The works council has no legal authority to call a strike; its influence depends upon its statutory rights and the acceptance of its role by management. Nevertheless, German unions have no wish to see this situation changed and testify to its effectiveness in protecting the interests of employees. The history of works councils has been somewhat different in other European countries. In the Netherlands, the radicalizing of union policies has led to demands that works councils assume more of the character of joint negotiating committees. Likewise in Italy, the original concept of works councils as consultative committees is disappearing as they are radicalized by more militant shop stewards. In Britain, joint consultative committees have often become pre-bargaining forms, and managers have been willing partners of shop stewards in allowing many of these committees to fade away.

Germany provides the most notable example of worker participation on boards of directors, with its highly complex system of codetermination. In coal, iron and steel companies, employees (of companies with more than 1000 employees) have had the right since 1951 to elect the same number of representatives as shareholders to supervisory boards—the upper tier of Germany’s two-tier board structure. Controversial legislation passed in 1976 increased employee representation in large companies in other industries to one-half, though in other aspects the 1951 legislation remains more advanced on employee board rights. A crucial factor in the success of the codetermination system is the limitation of collective bargaining to decisions made at the industry level. Negotiations at the enterprise level are carried out between the works council and management, without direct union involvement. Were the unions to become more directly involved in plant and company bargaining, this would almost certainly create tension more akin to the situation in some other European countries. In all three Scandinavian countries, there is no pressure from the unions to emulate the German model by extending existing minority board representation to the parity level. The Norwegians are considering introducing a third-party element—a director from the local community. The Dutch, under a 1973 compromise, have no direct employee representation on supervisory boards, but new board members, co-opted as needed, are subject to the veto of both the shareholders meeting and the works council. There is very little support for the German model of codetermination in Belgium and Italy. The Sudreau proposals in France, suggesting one-third employee representatives on supervisory boards, have proved unacceptable to both unions and employers. The British government is planning legislation to assure at least minority representation for employees on upper-tier policy boards, but neither unions nor employers are enthusiastic about the legislation.

With regard to “democratizing capital formation,” the unions in Sweden and Denmark have adopted the most radical schemes, designed to give the unions ultimate control over the bulk of equity capital within a term of years. Sweden also presents the most striking example of the extension of the scope of collective bargaining—with the 1977 law giving the unions a legal right to bargain on almost every management decision.

The growth of trade union support for participative rights in management is only one aspect of the widening role of trade unions in the postwar period. In every country in Europe, the unions have gained the right to be consulted by governments on almost every aspect of economic and social policy. The crucial question for the unions is how far they should go in supporting cooperation with employers and governments rather than pursuing their traditional role of engaging in open conflict.
There is an ideological divide in Europe on this question. Not only Marxist unions hold the confictual view of industrial relations. Some non-left unions are strongly opposed to the idea that they should accept a significant element of joint responsibility for the efficient management of the enterprise. Strongly motivated entrepreneurs hold firmly to the belief that they must be in sole command. Professional managers tend to be hostile to concepts of organization which may undermine their authority. On the other side of the divide are those managers who believe that, under contemporary circumstances, they can only wield power by sharing it. Many unions are anxious to participate in management. In sum, there is a major difference of view in Europe—which cuts across unions, employers and countries.

**North America** (Chapter III)

More than any other trade union movement in the world, American unions rely on collective bargaining as the principal means of advancing the interests of their members. The strength of American collective bargaining lies to a great extent in the fact that, because most contracts involve only one employer or even one plant, collective agreements tend to be very specific about a wide range of issues. The typical contract has been steadily widened and its comprehensive character makes unilateral action by the employer as restricted as possible. There are tensions in the system—lacking union recruitment, employer hostility, inadequate political support for union causes, increased government intervention, low productivity, and worker alienation—but they have not led to much support for employee participation in management along the lines of some European countries. American unions cherish their adversarial posture. “We do not want to blur in any way the distinction between the respective roles of management and labor in the plant,” a high AFL-CIO official has stated. Moreover, he added, American unions already “bargain on more issues than the number we might have any impact on as members of a board of directors.”

Although beliefs deeply held by unions and employers rule out major support in the United States for employee participation on boards of directors, there has been a remarkable development of joint labor-management committees—plant production committees and bodies concerned with improving productivity, the quality of working life or community relations. This study examines some specific cases—such as the experimental negotiation agreement in the steel industry and cooperation between General Motors and the United Automobile Workers.

There are differences of view regarding the interpretation of these developments. Some see the long-standing resiliency of the existing American industrial relations system, making empirical adjustments, as it has in the past, to changing circumstances. On the other hand, Professor Lodge sees the evolving new structures and procedures reflecting an important shift away from the traditional American ideology, associated with the general notion of Individualism, to a new ideology which Lodge calls Communitarianism. In this light, the U.S. experience becomes more comparable to that of Europe and Japan.

We believe that the new developments are evidence of a shift. Although some regard them as idiosyncratic and unrepresentative of broad trends in the United States, we feel that managers and the managed in the United States, as in Europe, are finding that the contract relationship is insufficient and are developing new consensual relationships to meet their needs—without unions giving up established bargaining rights or managers yielding up their responsibility for efficient management.

The Canadian system of industrial relations is firmly rooted in a collective bargaining system significantly influenced by the United States model, but its philosophy and practice have also been influenced by strong Canadian attachments and affinities to Europe, especially Britain and France. Up to now there has not been any general enthusiasm for the industrial democracy ideas which have gained support in Europe, but the opposition is based much less upon the notion that such ideas are alien to Canadian concepts than upon a concern with how they would be reconciled with collective bargaining. In the longer run, Canada may well come closer to Europe in its style of industrial relations.

**Japan** (Chapter IV)

Collective bargaining is conducted at the enterprise level in Japan, but it is coordinated by federations at a higher level. Each spring the enterprise unions submit claims for pay increases—known as the “spring offensive.” The response of the employers is influenced though not determined by the central employer organization, Nikkeiren. When agreement is reached in the major enterprises in one of the influential industries, this sets a pattern which is quickly and closely followed, though there may be deviations depending upon circumstances. The medium-sized and smaller enterprises, though less directly involved in the spring wage round, will be influenced by its outcome and will adjust pay levels as appropriate. The scope of collective agreements has been extended to cover a wide range of issues in addition to wages and hours, including such matters as safety, workshop conditions and welfare, recruitment, transfer, promotion, discipline and discharge.
Joint consultative committees exist in 60 percent of all unionized enterprises, and in over 70 percent of the larger enterprises. Moreover, even in enterprises without formal consultative committees, employers have legal obligations to consult. There is a complex and subtle relationship between the collective bargaining process and joint consultation. In some cases, the aim is to achieve joint decision through the consultative process, but in others, consultation takes the form of prior discussions to collective bargaining. The majority opinion is that joint consultative committees have served both parties extremely well. They have matured into an institution which works effectively both as a means of joint consultation and as a preliminary stage in the collective bargaining process.

Joint consultative committees have spread rapidly at the enterprise level in the last decade, supplementing the earlier development of joint consultative committees at the plant level and paralleling the development of enterprise-wide collective bargaining. There has been a clear tendency for joint consultation at the enterprise level to involve discussions of major corporate business and production decisions, and this trend is likely to develop further. With this development in mind, the Japan Productivity Center recently suggested one way of achieving a Japanese system of participative codetermination: the introduction of a joint management policy council made up of trade union and management representatives, which would discuss the same matters as the board of directors and function as an advisory organ to top management. A joint management policy council of this "shadow board" type has been tentatively introduced in a number of large firms in recent years.

Despite divergent attitudes in various groups, there is a wide measure of agreement in Japan on three future directions: (1) The joint consultative committee system should be improved in order to increase the significance of worker participation and influence in major corporate decisions. (2) This development should be encouraged by voluntary agreement rather than by legislation. (3) In order to meet needs that may arise in the longer term, some new institutional arrangements should be introduced to provide for worker representatives on a board of auditors or some other top management organs.

The industrial relations system in Japan, at least in the large and medium-sized firms, is evolving towards a pattern made up of elements of collective bargaining, consultation and codetermination. The institutions and processes are growing out of cultural, economic and social factors peculiar to Japan, but they are being influenced by developments taking place elsewhere. The strongly enterprise-oriented system of trade unions in Japan and the underlying strength of the basic attachment to group responsibility and harmonious resolution of conflict, except where specifically sanctioned by clearly understood and accepted rules, are likely to reinforce the trends identified.

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The Trilateral Process

The report which follows is the joint responsibility of the three authors of the Trilateral Task Force on Industrial Relations, with Benjamin C. Roberts serving as principal drafter. Although only the authors are responsible for the analysis and conclusions, they have been aided in their work by extensive consultations. In each case, those participating in meetings related to the development of the report spoke for themselves as individuals and not as representatives of any institutions with which they are associated. Those consulted included the following:

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Masao Aihara, Director, International Department, Japan Confederation of Labor (DOMEI)
W. Albeda, Dutch Minister of Social Affairs
Nyboe Andersen, Chief General Manager, Andelsbanken A/S, Copenhagen
Doris Anderson, Former Editor, Chatelaine magazine, Montreal
T. E. Armstrong, Deputy Minister of Labor, Ontario
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Robert Sass, Associate Deputy Minister, Department of Labor, Saskatchewan
Walter Schultfeldt, Adam Opel AG, Ruesselsheim
Mario Sepi, CISL, Rome
SCHEDULE OF TASK FORCE ACTIVITIES:

July 1976 — Roberts and Lodge meet in New York City for preliminary discussion of task force concerns.

March 17-19, 1977 — Roberts and Lodge meet with European experts in Paris (organized jointly with the Atlantic Institute).

July 11 — Lodge and Roberts meet with North American experts in New York City; Lodge has prepared working paper on United States.

July 25-26 — Roberts meets with Japanese experts in Tokyo, including visits to Ministry of Labor and Japan Institute of Labor.

July 27 — Okamoto and Roberts meet with Japanese experts in Tokyo; Okamoto has prepared working paper on Japan.

September 28-29 — Roberts meets with Irish consultants in Dublin.

October 12 — Roberts meets with Norwegian consultants in Oslo.

October 13-14 — Roberts meets with Danish consultants in Copenhagen.

November 11 — Okamoto meets with Japanese experts in Tokyo.

December — Roberts completes first draft of report.

January 12-14, 1978 — Roberts, Okamoto and Lodge meet with European experts in Paris (organized jointly with the Atlantic Institute); papers on several European countries discussed, along with revised Lodge and Okamoto working papers; authors discuss first draft of report.

January 20 — Okamoto meets with Japanese experts in Tokyo.

February 24 — Okamoto meets with Japanese experts in Tokyo.

April 20-21 — Roberts meets with Canadian experts in Toronto, in context of colloquium organized by Canadian Group of Trilateral Commission.

April 26 — Roberts and Lodge meet with U.S. experts in Washington, D.C.

April 28 — Roberts completes second draft of report.

May 15 — Draft report circulated to Commission members.

June 12 — Draft report discussed at Trilateral Commission plenary meeting in Washington, D.C.

July — Roberts completes final draft of report.
The Authors

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