WORKERS' PARTICIPATION

IN MANAGEMENT

2066

By

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The concept of workers' participation in the management of national enterprises has been attracting attention during the past few months and there is every indication that it will be a live issue in the immediate future. A Note prepared by the Ministry of Labour of the Indian Government on Labour Policy for the Second Five-Year Plan contains a passage urging the establishment of "adequate joint machinery for representing management, labour and technicians not only for the purpose of occasional consultation but for the day-to-day running of the industry."

The idea of workers' participation in management, though new to India, is one in regard to which a certain measure of experience exists in the more advanced industrial countries in which it has already been sought to be applied in different shapes, forms and degrees. It would therefore be of some value to start by having a quick glance at what has already been attempted or achieved elsewhere.

Broadly speaking, the countries where workers' participation has been tried may be divided into two groups: those where it is enjoined by legislation, and others where governmental interference has been avoided and national agreements reached between trade union centres and employers' association. Since space does not permit of an exhaustive survey, I shall take France as an example of the first group and Great Britain and Sweden as examples of the second. I shall then proceed to refer to two countries which have contributed distinctive variants, namely, West Germany and Yugoslavia.

FRANCE

French law, like that in Belgium and the Netherlands, imposes a widespread system of workers' participation in the management of private enterprises and in the direction of nationalised industries.

Works Committees, which are joint organisations, function in about 10,000 out of a possible 15,000 enterprises. Elections are by proportional representation, there being separate elections for workers and salaried employees on the one hand and for technical and managerial staff on the other. In the sphere of welfare activities, the Works Committees have two functions: (1) to co-operate with management in improving the working and living conditions of staff, in regard to which they have no powers to decide but may give advice, and (2) to manage or supervise all welfare work for the welfare of the workers and their families, in which sphere the Committees have a wider field of authority.

In the field of economic affairs, the Works Committee has only advisory powers. While the employer is obliged to consult the Committee on questions concerning the management and the operation of the undertaking, he may disregard the opinion of the Committee. The Committee has, however, a right to full financial information and must be provided with accounts and balance sheet before they are submitted to shareholders.

The Works Committee has a right to be represented - without vote - on the Board of Directors by two Committee members.

According to the Force Ouvriere (affiliated to the International Confederation of Free Trade Unions), while post- war legislation has offered the workers an opportunity of apprenticeship, it has failed on the economic side. This is attributed to various factors: (1) the short term of office - one year - which is not enough to acquire experience, (2) the fact that even the best elements among the workers are still poorly equipped for their new responsibilities, (3) the development of a spirit of "company mindedness" which weakens trade unions, (4) the side-tracking of works committees into the "blind alley" of social and welfare activities resulting in trade union functionaries being overloaded with canteens and Christmas parties, and (5) sabotage by communist trade union leaders who raise impossible demands, foment political questions in works committees and divert welfare funds into communist channels, such as the sending of delegates to "world festivals" of peace and youth.

According to the French Trade Unions, Works Committees have not lived up to earlier expectations. Managements are generally hostile and the workers often sceptical. Another factor has been the effect of political divisions within the French trade union movement in which three federations function. The Force Ouvriere warns the workers that "without a strong union there can be no effective works committee."

UNITED KINGDOM

In the U.K., workers' participation takes the form of volutary agreements for Joint Consultation between union and management.

In the nationalised sector, joint consultation is now accepted as an essential element of enlightened public adminstration, though the demand made by some unions for workers' control of nationalised enterprises was rejected by the Labour Party when in power. Nationalisation laws require consulation with trade unions for the purpose of setting up joint consultative machinery for handling matters of safety, health and welfare. Thus, some 2½ million workers in coal, electricity, gas and transport undertakings were brought under a system of joint consultation.

In the sphere of free enterprise, both unions and employers have resisted suggestions that government should make works committees compulsory ahd have preferred the voluntary system.

In 1950, it was announced that over half the workers in the 54 main industries in Britain were covered by joint production committees and that joint industrial councils existed in 130 different industries.

At the level of the factory, joint production committees have one of three forms. The majority of firms, especially the smaller ones, have a single works council. Middle factories have a main council and separate committees to deal with departmental problems. Large factories use the pyramidal structure, with a number of shop committees electing representatives to departmental committees which in turn elect representatives to the works councils.

Most committees avoid negotations over wage-rises and working conditions. Agreements for joint consultation generally cover such specific questions as health, welfare, safety and education. In nationalised industries, joint committees generally busy themselves with questions of welfare, education, health and safety and to a lesser extent with those of productivity and efficiency.

The British T.U.C. has consistently pronounced itself against direct workers' participation in management, but in favour of joint consultation. In 1953, the T.U.C. Joint Council rejected a motion for direct participation in management of nationalised industries on the ground that "you cannot eliminate unpleasant economic and industrial problems by trade union participation in management. You can create for yourself as trade unionists the greatest possible difficulty with your membership." The anxiety of trade unions to avoid divided loyalty on the part of union leaders sitting on Boards of Directors is shown by the T.U.C. recommendation of 1944 that trade unionists joining the Boards of nationalised industries should surrender any position held in trade unions.

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The T.U.C. and employers in Britain agree on two fundamental points: (1) that the joint consultation machinery should remain voluntary and advisory, and (2) that its success depends not on formal machinery but upon the skill and the spirit of the delegates.

SWEDEN

Workers' participation is known in Sweden as Industrial Democracy. This has been fostered by an agreement in 1946 between the employers' federations and the trade union federation which set up a volutary system of joint works councils. Since 1948, joint councils have enjoyed a rapid growth and now flourish throughout private enterprise as well as in government services and even in the army. By 1953, there were councils in three-quarters of all enterprises and today 660,000 workers are covered.

Although the works council has only advisory powers, as an "organ for information and consultation", it enjoys a broad competence to deal with production, health, safety and vocational training. The council does not, however, enjoy any power of economic control.

The right to vote for workers' representatives is ordinarily confined to members of trade unions which are parties to works council agreements.

The works councils do not dlegate members to the Board of Directors and do not exercise any administrative control. Their effectiveness depends upon volutary co-operation based on mutual respect.

Both employers and unions oppose legislation and state intervention. While the workers regard joint consultation as a step towards complete industrial democracy, employers regard it as a healthy safeguard against disruptive trends.

WEST GERMANY

Since 1848, the German workers have demanded a voice in the adminstration of industry. The actual attainment of Co-determination is, however, so recent that it is yet too early to draw any definite conclusions.

The issue of co-determination came to a head in 1950 when power was handed over by the occupation authorities to a purely German government. In February 1951, under tremendous pressure from the unions, the German Federal Government and the industrialists agreed to full and equal co-determination on the boards of coal and steel companies. The law of May 1951 provides for a Board of Directors (or Supervisory Board) of eleven members in all coal mining, iron and steel enterprises having more than 1,000 workers. Although the stock-holders "elect" this board, only five of the board members really represent the owners, another five the trade unions, and the last is an independent who is normally a businessman, banker, economist or professional man.

The Board of Directors in turn names an Executive Board (or Board of Managers) of three members, one of whom is a personnel director approved by the five trade union members of the Board of Directors.

The legal position of the labour members of the board is not quite clear. Board members are legally "not bound by mandate or instruction", but in practice labour members are instructed by the organisations which nominate them. They thus find themselves under an obligation both to the enterprise and to the unions.

The law provides that two of the finve labour representatives must be employed by the enterprise and nominated by the local works council in consultation with the trade union and the trade union federation. The other three are nominated by the trade union federation in consultation with the local union and works council. Of these latter, at least one must <u>not</u> be an employee of the enterprise.

At a lower level, works councils continue to function as before in the steel and coal enterprises, exercising a certain measure of co-determination in the spheres of personnel and social affairs.

Industries other than coal and steel are governed by a law on Works Councils since 1952. This provides that one-third of the directors on the boards of joint-stock companies are to be elected by the workers. The entire working force votes for these representatives, who do not represent the works councils or the trade union. In these enterprises, works councils continue to function at factory level with an equal number of employers' and workers' nominees, but these have little power beyond receiving information about company affairs.

The steel companies have done very well without any serious friction or clash, hardly any strikes and little unemployment. It has been found that the worker nominated personnel managers soon learn to work as part of the management team. In the supervisory board, decisionsrarely come to a vote, and unanimity is almost always achieved. Between 1948 and 1951, production in the steel mills is reported to have risen by 200 to 300 per cent and wages by almost a 100 per cent. Absenteeism is reduced and greater job security is felt. By way of caution, it may be mentioned, however, that many other industries without co-determination appear to have done quite as well.

The D.G.B. (German TUC) is generally satisfied with the functioning of the works councils as well as co-determination. To the D.G.B., co-determination in the iron and steel industry is only a first step towards full co-determination in all industries. Industry, on the other hand, rejects such a process as being inconsistent with the "Western concept of ownership". It claims that the legal rights of the legitimate owners are a safeguard of managerial efficiency and productivity. The D.G.B. replies that it does not want to act against the principle of private ownership but only to "influence its economic functions."

It is obvious that co-determination in Germany is quite distinct from joint consultation on the one hand and state socialism or capitalism on the other and that West Germany has thus introduced a new form of class and property relations.

YUGOSLAVIA

In contrast with all other communist countries where workers' participation, which was resorted to in the earlier stages, has now been abandoned and the trend for some time now has been in favour of what is officially proclaimed as "individual responsibility of directors and managers" as the basic principle of industrial management, Yugoslavia has rejected the Soviet form of industrial organisation as reactionary State Capitalism and has resorted to the ideal or Workers' Control.

The Basic Law of 2nd July 1950, which prescribes measures for the administration of public property in industrial undertakings, and which is at present in process of being amended, sets up two Bodies - the Workers' Council and the Management Committee.

The workers' council is elected for a year at a time by all workers and officials in the undertaking. The council elects from amongst its members a management committee which controls the immediate administration of the undertaking and is answerable to the council.

Membership of the workers' council consists of anything from 15 to 200 members, meeting once every six weeks. It is responsible for approving the plans and the balance sheet of the undertaking, for taking decisions on administrative matters and for distributing the distributable part of the profit of the enterprise. The council appoints and removes the manager of the undertaking, who is an ex-officio member of the managing committee.

The management committee consists of from 3 to 11 members, including the manager. The members of the committee are elected from among the workers, the technical and engineering personnel and officers of the undertaking. At least three-fourths of them must be employed directly in production or the basic economic activity. In order to avoid the formation of a privileged bureaucracy, no one may be a member of the management committee for two consecutive years.

It is necessary at this stage to recall that in a one-party State such as Yugoslavia, where the trade unions are a limb of the ruling party, practice may not accord in all respects with theory. The International Confederation of Free Trade Unions makes in this context the following observation: "Obviously genuine democratic workers' participation is not compatible with dictatorship. Dictatorial governments cannot afford to permit collective bargaining nor any real degree of workers' participation .... The history of workers' participation in all countries has amply demonstrated that no real participation is possible without democratic trade unions free of governmental or employer control."

I had occasion in September this year to pay a brief visit to Yugoslavia and took the opportunity to visit a couple of factories in and around Belgrade as also to attend a workers' council meeting and to talk to some managers, workers' council officials, trade union functionaries and government spokesmen in an effort at evaluating how much of the theory represented by the law was actually functioning in practice.

I came away with two predominant impressions. The first is that the experiment in workers' control is genuinely concerned. Having turned their backs on State Capitalism of the Soviet model, the Yugoslav leadership is anxious to blaze the trail towards workers' control. The assurances of Yugoslav spokesmen that every effort is being made to train the workers to take over the management of the factories and to loosen the reins of central authority so as to permit of the maximum decentralisation are, in may view, sincere.

The second impression, which needs to be balanced against the first, is that workers' control is by no means yet a reality and that the actual position today approximates to that of joint consultation as it is understood elsewhere. It appears to me that, genuine though the effort might be, it will be many years before the workers develop enough maturity and understanding of the industrial process to be able to control effectively the managers and other functionaries who today act in their name. So long as the one-party State prevails, it is also likely that the managers, the workers' council office-bearers and the trade union functionaries - most of whom are members of the Communist Party - will in practice continue to derive their authority from and owe responsibility to the ruling Party, where real authority must continue to dwell.

From this quick survey of experience gathered elsewhere a tentative conclusion that emerges is that the advance to workers' participation in the fullest sense of the word is a long term process and one which can only be realised as workers are educated and trained for such participation. In both West Germany and in Yugoslavia, where theoretically co-determination and workers' control are respectively in operation, the experiment is still at a very early and fluid stage. Perhaps there is something in the view that it has functioned smoothly so far because in practice the German workers, by reason of their maturity, and the Yugoslav workers, for quite contrary reasons, have not interfered with the vital policies and processes of production and management.

II

PROS AND CONS

We now come to the desirability and possibility of introducing workers' participation in management in our own country. The views that I shall advance in this context are, I should make it clear at the outset, my own personal opinions and do not claim to represent any other than an individual viewpoint.

My attitude to the idea of workers' participation is a positive one. It is in my view a worthy ideal and one that is infinitely more acceptable, as an expression of the urge to social justice, than centralised State capitalism.

The basic idea on which workers' participation is founded is that of facilitating and increasing production for the general benefit of the enterprise, the workers and the national economy as a whole. It rests on the principle that all parties concerned have a common interest in the efficient running of the enterprise and one of its purposes is to increase the size of the cake which is to be shared.

Another essential element in workers' participation arises from the workers' feeling that he is simply a cog in a huge impersonal machine. Such a state of mind is bad for the worker and bad for production. Workers' participation in the productive processes helps to restore to the worker his interest in work by giving him self-respect and status through the understanding of his role and his importance in the industrial complex. It enables the worker to regain his human dignity. It enables trade unions to extend their functions beyond the process of collective bargaining and employers to secure democratic self-discipline on the part of the worker in place of dependence on the old-time fear of unemployment.

Against these benefits must be set certain objections. From the point of view of Labour, it must be recalled that the dominant school of trade union thought in Britain and the U.S.A. is for labour to consider itself a kind of "His Majesty's Opposition" in industry, whose role is to extort the largest possible share of the cake while leaving Management to face the headaches. The moment workers are represented in management and become parties to it not only will their right to strike be questioned but it will also be made more difficult for them to press their claims in collective bargaining. It will be urged that now that they are partners, they must share responsibility and cooperate in increasing production for the common good. It was perhaps a consciousness of such considerations that impelled certain labour representatives at the first meeting of the Labour Panel of the Planning Commission held in Delhi in September last to adopt a cautious if not a negative attitude to the proposal for workers' participation in management.

From the point of view of Management, there is the obvious danger that, at the present level of development of the Indian working class and the absence of "grass roots" trade union leadership with personal knowledge and understanding of industry, the kind of constructive cooperation that might be forthcoming in countries such as the U.K., U.S.A., Sweden or West Germany could hardly be expected here. The current widespread labour opposition to madernisation of industrial processes, which is in the interest of the workers themselves, is an obvious pointer to the kind of difficulty that would arise.

In our efforts at giving shape and form to the concept of workers' participation in management, where shall we start? A distinguished and experienced trade unionist like Mr. V. B. Karnik of the Hind Mazdoor Sabha has, I think, put his finger on the spot in urging that "workers' participation in management must begin at the lowest level of the shop of the enterprise. Management does not only exist at the top. It pervades the whole enterprise from the top to the bottom." Mr. Karnik has also urged that it is for the State, in the enterprises owned by it, to set an example which can then be followed by others.

PROPOSALS

As a basis for discussion at this Conference and elsewhere, it is suggested that workers' participation may be attempted at four distinct levels in the case of major enterprises: (1) Departmental, (2) Plant-wise, (3) Company-wise, and (4) National. In the case of small units, (1) and (2) would merge.

(1) Departmental Works Committees: The establishment of a joint committee, consisting half of workers' representatives and half of management, is suggested in every department of a major industrial plant. The workers' representatives should be elected by a secret ballot of the workers in the department. The Committee's function would be of an advisory

nature and the range of subjects which come before the Committee would naturally be limited.

(2) Works Councils: These would cover the entire plant. Here the method of selection of workers' representatives might be open to variation. The best means of selection would perhaps be for members of the works council to be elected by the departmental works committees. It is for consideration whether, if there is a recognised union in the plant, it should not be given an opportunity to nominate one or two workers (but <u>not</u> outsiders) on the works council.

The subjects within the competence of the works council would naturally be more extensive than in the case of departmental committees. As a basis for discussion, it is suggested that the works councils should have executive powers in some spheres and advisory functions in others. They might, for instance, be given executive powers in regard to canteens, safety, social functions and welfare activities though even here it is obvious that, where financial implications are involved, the concurrence of management would be necessary. The executive authority of the council would prevail within the limits of the budget allocated to it. In regard to other functions - economic and administrative - works councils would be advisory bodies, except where their conclusions are unanimous.

Such works committees and councils as are suggested above would serve the purpose of being a channel of information and communication and a forum for training workers for a greater measure of participation later.

(3) Councils of Management: The question arises what form workers' participation should take at the level of top management. In this context the suggestion that has been made for legislation enjoining a 25 per cent representation of workers on Boards of Directors appears to me to be somewhat unrealistic at this stage. Some of the objections both from the point of view of labour and of management which have already been set out on pages 11 and 12 are particularly pertinent in this context. The implications of such a proposal for the proper functioning of collective bargaining are worth considering seriously. With whom would the union negotiate - with the representatives of the owners or with a body partly constituted of its own representatives? How is the problem of dual loyalty in the latter event to be resolved? Would the spectacle of workers' representatives negotiating on behalf of the owners with their own union be any less incongruous than that of shareholders being represented on the Union Executive in the same proportion? Finally, unless the ground is properly prepared over a number of years through the training of workers and the building up of mutual confidence, is it not likely that any legislative compulsion of this nature might simply amount to a formality?

The suggestion that Government should nominate the labour representatives on Boards of Directors is unacceptable since it would defeat the very idea of effective workers' participation

It is obvious that only actual workers in a plant elected by their colleagues can claim to represent the worker's interest. It is possible that a suggestion may be made that trade union leaders who are "outsiders" may be nominated by trade unions on the Boards of Directors and the satisfactory experience of such appointments in the case of certain State enterprises may be cited. It must be pointed out, however, that such nomination is only possible in the case of a handful of State enterprises because of the dearth of men of the necessary calibre and experience, while the need would arise for thousands of directors to cover the industrial enterprises of the country. Then again, it is one thing to have trade union directors on a State concern dominated by government officials, where scope for sectarian attitudes is limited, and quite another thing to impose them on Boards of what would be regarded as "capitalist" concerns.

What is suggested therefore is a Council of Management to be constituted in major enterprises, of which one-third of the members would be Directors of the Company representing the shareholders, another third representatives of the workers elected by the works council, and the remaining third representatives of the managers, executives and technicians on the company's staff.

The field of interest of the Council of Management should be as wide as possible and substantially the same as that of the Board of Directors. It may, however, be wise to exclude from the purview of the Council matters pertaining to collective bargaining as well as those wholely within the sphere of the shareholders on the one hand or of labour on the other. It is obvious that such a Council would be of an advisory nature and, while its advice when unanimous would be normally accepted by the Board of Directors, the final decision must be taken by the Board of Directors which represents those who own the company. At the same time, there can be no question that recommendations of the Council of Management would carry considerable weight with the Board of Directors and such a Council would provide an excellent opportunity for educating members of the staff and the workers in the affairs of the industry.

(4) Joint Consultative Board: In the Joint Consultative Board of Industry and Labour, which has been functioning during the past few years, an apex to the whole pyramidal structure of workers' participation here suggested is already available. With increasing activity, a full-time non-official secretariat and greater all-round support, this Board could form the top tier in the edifice of workers' participation in our country.

p. 14 & 24 ~~Regulation [illegible]~~ What is needed today are few controls

Black money & is the outcome of wrong policies

p. 15

Ragee.

There is something wrong on p. 18 very last sentence. It does not read well.

Better consult Mr. Raju

Eric.

S.V

I have seen the above note. I think there is something wrong in the English construction

Eric.