

**Reports n° 3**

**THE FUNCTION AND POSITION OF INDIVIDUALS  
IN THE ENTERPRISE**

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Report to the EEC Conference on

"Industry and Society in the Community"

20 to 22 April 1972 - Venice

MAN IN RELATION TO THE FIRM

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## INTRODUCTION

This conference, in accordance with the preparatory reflections of those participating, is to address itself to the task of bringing out the connections, at Community level, between various economic, social and political problems and the advance of industry. The theme of the conference, "Man in relation to the firm", will therefore have to take in a number of crucial points to bring out the connection between social and industrial developments. The starting point, consequently, of what I propose to say is firstly the attitude of industry in Europe to the Community's industry policy and secondly the views of employers on the road to be followed by social policies in Europe. I propose, to begin with, to touch briefly on these two issues in a general way.

Industry policy, in the view of the Union of European Industrialists (UNICE) and as set out in UNICE statements of 10th September 1970 and 1st June 1971, is to be regarded as a collection of measures for the creation in all fields of the best conditions for an optimum expansion of firms in industry. I am not forgetting that Community industry policy has also the task of deepening the general awareness of the need of industrial advance but a first endeavour of that policy must be to improve the possibilities for industry to seize and make use of the abundant openings arising from the creation of a wider market in order to remain abreast of its task of supplying goods to people in the best possible conditions. The contribution of industry to the gross national product being as big as it is, the creation of favourable conditions for smooth and rational production is a matter of the highest importance for economic

expansion in the Common Market as a whole. Successful advance in industry is an unalterable condition of economic and social progress in the Community. However, an industry policy directed to this end is not to be conceived of, and the employers have repeatedly drawn attention to this point, as a policy of intervening in and meddling with the decisions of entrepreneurs. It must be an all-embracing policy and one adjusted to the state of things in our market economy. The main endeavour of Community industry policy must therefore be the improvement of the framework of conditions in which firms in the Common Market work.

The close connection between industry policy and the other joint policies, in particular social policy, is plain to see, for the aim of industry policy after all is a general improvement in living conditions in the Community. It is also the task which the Member States set themselves in the preamble to the Treaty establishing the European Economic Community, namely "the constant improvement of the living and working conditions of their peoples as an essential objective".

The close connection between the objectives sought after in other fields and the means being used and, on the other hand, the Community's industry policy involves as a matter of course mutual adjustments and coordination. Just as industry policy has its repercussions on social policy, in the same way there are connections between measures taken under social policy and decisions under industry policy. These connections were the subject of a first clear analysis by the Commission in 1969 in the so-called "Interim Report to the Council on the correlations between social policy and other Community policies".

Here indeed a danger comes into view and one that is not to be lost sight of. The sights of industry policy are directed to a section only of the economy, namely industry itself. Social policy by its very nature cannot and may not concern one section of the economy alone, it must be all-embracing. A social policy worthy of the name must aim at the improvement of working and living conditions of all workers and not only those in industry. A properly understood social policy must indeed also ask itself whether it is right and consistent with the principle of the greatest possible measure of freedom to pursue the continuous extension of collective care and continuous increases in social-security benefits while the real incomes of all levels of the population steadily continue to increase. We are of the view that community benefits, financed by compulsory contributions or taxation, should as a matter of principle play only a secondary role, that is they should only play a part when the person concerned is not in a position to help himself. Social policy must not lose sight of what the economy as a whole is capable of. This capacity is the source but at the same time the limit of every endeavour of social policy. A successful industry policy, strengthening and benefiting the whole economy, also creates the groundwork for higher social-security benefits being paid.

## I. THE POSSIBILITIES FOR A EUROPEAN SOCIAL POLICY

### A. Governments as autonomous operators

I shall follow these basic remarks on industry policy and its connection with social policy with a brief statement on employers' views on the possibilities of a European social policy, since they

are the basis and cause of our attitude to the crucial issues. Since the EEC was set up, whenever European social policy was under discussion there have been constant debates on whether and if so how far harmonisation of the social policies of the individual Member States was necessary and what the Commission should do in the matter. In the past repeated attempts have been made to read more into the text of the EEC Treaty, which after all is clear enough, than is to be found there. There can be no doubt at all that the Treaty as a matter of principle leaves competency and sovereignty in matters of social policy with the Member States. The cooperation of Member States called for in Article 117 therefore is essentially based on the voluntary principle. But this is in no way to be looked upon as a shortcoming. The Treaty here is merely taking account of the fact that a joint social policy can only be brought into being with consideration being given to the circumstances of social affairs in their great variety and as they have grown up in time past and the further fact that in 1957 the Member States with that in mind were not prepared to transfer to the Community the political responsibility for the further development of social policy. There has been little change in the meantime in this initial position. Even today, with more than a decade gone by, social-security benefits in the EEC countries show considerable national or regional differentiation for reasons of preference which are largely rooted in history. An example of the varying emphasis of countries' social policies can be found in the fact that in Federal Germany high priority is given to old-age and sickness insurance while social policy in France is marked by a purposeful policy in favour of the family with a high level of benefits. These differences have been influenced by the varying social circumstances and brought about



equally by differences in the ideas held on political aims and social policy. Arrangements on the ground will for the time being have to be left to the individual States so long as they bear political responsibility.

B. High and still rising expenditure on social security

This does not cause distortions in trade and the supply of services in the Community, because competitiveness depends, apart from other cost factors, on the total burden of labour costs and here it is not a matter of importance how the total is made up. We have seen astonishingly rapid approximation of social security expenditure - not the least of the assisting factors has been the economic progress which has been made in the Community. In 1958 expenditure on social security was still accounting for between 12.4 and 18.6 per cent of national income; in 1970, without any active harmonisation policy on the part of the Community, the figures lay between 20.3 and 23.5 per cent. We can see that the margin as between the Member States has narrowed, the amount of national income taken however has gone up considerably. The entry of new members, we find, will change the picture appreciably. According to the available figures - and unfortunately we have no figures for later than 1966 - the margin between the Six of the EEC and Great Britain is a big one. In 1966 expenditure on social security in the EEC took 16 to 17½ per cent of gross national product (I am not any longer speaking of national income), while in Great Britain the figure was only 12.7 per cent. (The margin may have changed in the meantime, we have figures only for the EEC as at present composed, with the Netherlands leading in 1970

with 19.1 per cent). But when we compare the EEC figure with that of countries outside we find it well above the figure for the most important industrial countries with which it has to compete. Against the EEC figure of 16 to 17½ per cent and Great Britain's 12.7 per cent, we have 7.3 per cent in the USA and 6 per cent in Japan. These are figures that bring up again the doubts I briefly touched upon previously whether we are to give preference to an all-embracing social security system rather than to a strengthening of personal responsibility with an increase in the means remaining in the hands of the individual.

Any arbitrary interference with the gradual alignment of the structures of the EEC, such as was demanded as early as 1962 by various participants of the European Social Security Conference of that year, involves the danger of an alignment of cost components on the principle of the so-called raisin-theory, which means the best and highest from each of the Member States. This would push the total burden of labour costs in Community industry up to such an extent that we should no longer be in a position to compete on the world market. There has been, as I have said, an approximation of the costs of social security in the present Member States but we cannot acquiesce in the way things have gone to date. With the coalescence of the enlarged Community into an economic and monetary union and the continuance of relations as they are between individual Member States' social policies and the social policy of the Community a greater measure of coordination is called for. It is indispensable therefore that those responsible for the creation of national social policy, the governments and capital and labour, should put less stress on their autonomous status and adapt their policies to what is needed on Community level and allow it to be guided

by Community aims. Such an attitude will be increasingly needed of them as the merging of the separate national economies into the economic and monetary union which saw its beginnings in the Council of Ministers' basic decisions of February 1971 proceeds on its way. The Treaty gives the Commission the important role of promoting integration in the social policy field, first and foremost by means of organised collaboration between the Member States. That is the situation today and that is what the Council of Ministers for Social Matters has been guided by since 1966. It is a concept which the Commission has largely adopted, as is demonstrated by the memorandum it submitted on 17 March 1971 on social affairs entitled "An Interim Outline for a Community Social Policy programme" and the proposals it contains for Community measures to be taken as a matter of priority.

C. The Fundamentals of a Liberal Order

Social policy in the European Communities however is not only a question of institutions and their powers, it is first and foremost a question of the basic conception of how the economy and social affairs are to shape. The employers hold the view that the European Community must be based on the liberal principle. An economy based on liberal principles means free competition and free and independent entrepreneurs and trades-unions. An essential factor of such an economy is the freedom of movement of workers, capital, services and goods established by the EEC Treaty. We in Germany, and not we alone, have learnt that a market economy was decisive for rapid economic and social progress after a devastating war which threatened all human values. True, the liberal economic and social order, as we see it in varying forms in all the

Member States, has its shortcomings. But it shows itself in its achievements to be superior to any other system, guaranteeing a far greater extent of material well-being and a far greater measure of justice with a maximum of personal freedom. It is a fallacy, a dangerous fallacy, to believe that these achievements could be preserved if our liberal economy were to come to an end.

A liberal economy and a liberal democratic social order are inseparably bound up together. Do away with the freedom of the responsible manager and the freedom of action enjoyed by capital and labour and in the long term you will see the end of your own freedom. This applies today and it applies to the Europe of tomorrow. In my view therefore the main task of a European social policy is to watch over the foundations of the liberal order in Europe and promote its onward progress. Part and parcel of a liberal order is ownership of the means of production. It is the basis for all risk-taking in industry. There are those who forget that the productive process cannot be deprived of the right of ownership without harm being done to the whole community.

## II. INDIVIDUAL PROBLEMS OF A EUROPEAN SOCIAL POLICY

### A. Employment policy

With these basic views stated, it will now be possible to deduce the attitude of employers to the question of "Man in relation to the Firm". I shall not deal with this question in an abstract manner, I shall set it against the background of the present situation

in the Community and examine the question whether there is a possibility of joint solutions on Community level and what methods and ways are open to us. We shall have to deal with the question of labour relations in the broadest sense, considering not only man in relation to his job but, much more generally, where he stands in the social order.

On the last point what is of decisive importance for him is his ability to earn a living for himself and his family, whether he does this as an employee under orders or working on his own account. An essential condition of course is that there should be an opening for his labour or simply a job. Consequently one of the priority aims of economic policy is the provision of employment. Here it is not to be expected that a given job will be created or kept in being - industry as it develops increasingly brings changes in the apparatus of production, and a man has to adapt himself to these changes. For this reason it is a normal phenomenon in an expanding economy that in some sectors the numbers of those employed decline to the advantage of other labour-intensive industries. A forward-looking employment policy facilitating these processes of adaptation is not only good social policy, it forms part of modern industry policy also. It is one of the conditions for steady and healthy economic growth that the apparatus of production as it goes through its successive transformations should be able to call on a sufficient number of workers educated and trained in the right skills. Methods of forward planning and statistical data will have to be more complete and afford better comparison possibilities. This the employers have repeatedly pointed out. Whilst previously employment policy had to

concentrate predominantly on the removal ex post facto of difficulties affecting the economic situation, nowadays it has to deal much more with problems of structures and how they are to be handled and defeated with, among other steps, measures for increased mobility from trade to trade and from place to place. This being so, occupational training is becoming a key question because of the double task it faces. Correct occupational training must not only give a man the proper skills to match up to the job he now has to do, it must also lay the groundwork for the further training and re-training which more or less certainly will become necessary subsequently. Methods will have to be worked out to take care of adult training. There is hardly any other move so well fitted to give men today a feeling of freedom as security and the conviction of being equipped by their education and training to meet the demands of life and their work.

There is a further connected question which I should like to touch on briefly. In this world of ours, with its increasing industrialisation and its increasing technology, it is going to become ever more difficult to give the man at the work-bench the feeling of being able to keep a view of the whole and see what he is doing as a rational part of the whole process. There will be many jobs where it will not always be possible to avert a sense of boredom and monotony. On the other hand, technical developments in themselves are a factor providing a counterweight here. Automation in very many cases is now transferring precisely the monotonous manufacturing processes and in particular those which are particularly highly labour-intensive to machines. Nonetheless we shall still be

very much faced with the question of how to minimize as far as possible the conflict between man on the one hand with his inner laws, physical and psychic, and his need for experience of his own and for self-confirmation and certain forms of work and organization on the other. This is also a field where studies by the Commission would be helpful.

## B. Cooperation in the workplace and in the firm

### 1. In the workplace

The place therefore which a worker takes in the firm is to a large extent determined by the degree of success achieved in maintaining the best possible conditions for his activity at his job and in his place of work and seeing to their further improvement. It is undisputed and undisputable that how he stands as a worker is of particular importance for his further integration, for where he works is, so to speak, a second focal point in the worker's life and generally decisive for his position in the social order also.

The task we are all faced with here is a many-sided one. The main thing is the improvement of the situation of each worker as we see it and as he sees it. True, with the division of work to be met with in modern industrial firms there are relationships, conditions of subordination and other obligations that are unavoidable for the worker (and not him alone) because arising from the nature of what is being done; they are toned down as far as possible by limiting them to what is essential to the operations (we should not forget also that the bosses also find themselves at

the centre of a field of tension created by various situations of subordination even if in part they are of another nature). It must be made easier for the worker to see the necessary relationships clearly and accept them. He must in future be given the possibility of developing in his field of duties his sense of responsibility and his initiative. There must also be a guarantee that full account will be taken of his legitimate claim to recognition of and respect for his personality at his work as elsewhere.

Let us not forget that as we grapple with these tasks we are not at the beginning of an operation, we can build on our practical experience and the regulations which make up the law on labour and social matters in all the Member States of the Community. I grant you, the solutions long ago found in the individual countries have not led down the same road, conditioned as they were by so greatly varying past historical and sociological developments and the equally differing conceptions of social policy. Nonetheless in all the six countries we find modern company-management methods, rights and duties of industrial workers' representative bodies laid down in works' constitutions, over and above individual plants and firms the two sides' work on collective agreements, and general principles of labour law and general safety regulations, all meshing together into a system of instruments serving to make possible a further improvement in the position of the worker as a member of the labour-force.

Further developments in the world of industry should be based on the principle of the individual worker being a co-participant in the operations and co-responsible.



In that case, what must be guaranteed is the following:

- Every worker must be precisely informed on what his duties and responsibilities are. He must be informed about any essential technical, organizational or staffing changes affecting his part of the operation and be able to see clearly what is the connection between what he has to do and the overall operation of the plant.
- Every worker must have a guaranteed possibility of making his views known about measures that affect him and of collaborating actively in the shaping of his job by means of suggestions of his own.
- Every worker must have the right to discuss how he stands in his job and the assessment of his performance with the competent superiors.
- Every worker must have the right to approach his competent superiors with personal requests and complaints and have them heard and decided on.

Social responsibility on the part of employers and trade-unions, as well as the law and obligations on plant-level, have in this respect already made considerable progress. The social responsibility inherent in the business operations of an entrepreneur of today directs him first and foremost to respect the individual dignity of those who work for him. Measures under legislation on safety at work are taking additional account of the legitimate interests of the worker in his workplace. Arrangements under the provisions of works' constitutions facilitate dialogue between

employer and employees. The trades-unions also, through collective agreements, are able to influence the way industrial working conditions shape. Again, a style of management which is abreast of technical and economic developments calls for devolution of responsibility to those working on management level. The successes in the matter of integration so reached must be safeguarded and further built on.

This is not to be looked for in an attempt at the most thorough adaptation possible to the regulations followed and the knowledge acquired only in certain Member States which are appropriate only to the specifically local economic and social conditions and accordingly are out of step with facts in the other Member States; it has to be brought about on the basis of principles of workers' integration enjoying common recognition in all the countries of the Community. With all their variations in form and content, settlements made in any Member State under the provisions of works' constitutions lay particular stress on individual plant level. They assign priority of importance to the worker being informed and consulted and put social and personal affairs in the forefront. In so doing, they take account of the fact that conditions on the spot and in the workplace are the most important for workers' integration and most directly affect them. They also take into consideration that one of the most important aims of any works' constitution settlement has to be that of keeping the worker informed and that it is social and personal questions that have priority of interest for him.

No doubt the conceptions that have arisen in this connection in Member States and regulations framed accordingly will undergo changes in some details as further practical experience is gained. But in any case it will be necessary to observe the limits already mentioned which are set by the capacities of a private-enterprise economy. I consider it however essential to hold on to the convictions jointly held in the countries of the Community and to make them the guideline for further reflections. Whether we can achieve the ends in view depends in a decisive manner on whether all concerned are prepared to make cooperative approaches. Any tendencies to confrontation instead of cooperation for the reaching of these ends not only put efforts towards further integration of the workers in doubt but also endanger what has been achieved already.

It is to be expected that in this way a decisive contribution will be made to the improvement of working and also living conditions in the Community and this much more effectively and dependably than via any self-reliant concepts arising in the institutions of the Community, these being exposed to the danger of being guided by single national patterns with little or no relation to the facts of social policy in the other countries of the Community. This is an objection which can also be made to the proposal for articles of agreement for a European company.

2. In the organs of the firm (and the "European Company")

European employers are emphatically in favour of the introduction of uniform European company law, to facilitate - and

further - collaboration among firms over existing frontiers as well as the mergers that are necessary in the interest of economic and social progress in the Common Market and to strengthen the competitive position of firms in the EEC. For these reasons the Commission initiative in the shape of the first draft of July 1970 of articles of agreement for a European company is as welcome as the projected regulation on the creation of a "European joint business interests association".

The employers however do not agree that the rules for workers' participation proposed in the "European company" draft are of the kind likely to solve the question of workers' participation for Europe. They are in agreement with the Commission that the composition of bodies inside a firm must be on the same lines throughout Europe. A standard solution however for the participation of workers' representatives in the proceedings of the board of directors, such as the Commission proposes, loses sight of the variations, at present still great, in labour relations in the various Member States, and this not only from the legal aspect. The differing conceptions of the aims and functions of the two sides of industry over the whole range of labour relations (of which relations at firm-level are of course a part) are of major importance for the question of workers' participation. It is for instance a fact that in Germany alone of all the EEC countries is a seat on the board for workers' representatives recognized as an institution. Also when we look at workers' representation on plant-level with all its variations in Member countries as to nature, composition, functions and powers exercised, we find in the other

countries no workers' representation with such far-reaching duties and such extensive rights of workers' participation as works councils in Germany possess. The solution to be found to the question of workers' participation can nonetheless only be a European one, now to cover also the new Member States, first and foremost Great Britain, which has a system of labour relations different from that of any one of the original States of the Community. The Union of European Industrialists (UNICE) on 12 March 1971 made a detailed statement - I want to remind you of this - on the representation of workers' interests in the "European company".

### C. Acquisition of property

The place of the worker in society today is largely dependent on the extent to which he is enabled to acquire property. Facilitation of the acquisition of property by broad sections of the population is one of the big tasks of social policy in our times. It is an essential part of any European incomes policy as defined for instance in the second medium-term economic policy programme. It would be a welcome thing if in all Member States, as required by that programme, an active policy were followed of promoting the acquisition of property. The programme also provides for a Community comparison of what has been achieved so far, to be followed by a study to determine which systems and forms and methods are particularly adapted to the achievement of the economic and social aims of the Community's medium-term economic and social policy. What was there called for has not remained in the stage of theory and some first results of the comparison have been made available. It turns out that the various systems are

very divergent in the aims they pursue. In Germany for instance the acquisition of property is promoted primarily for reasons of social policy on the basis of the recognition that property is a guarantee for the individual of greater spiritual and material freedom. There is at the same time a predominating conviction that an economy on a basis of private property can only be credible in the long run and free of social tensions if there is the broadest possible spread of what the nation owns. In France the accent, apart from general measures for the encouragement of saving and the acquiring of housing as owner-occupiers, is on the improvement of employer-worker relations, to be achieved first and foremost by means of obligatory profit-sharing. Against this, in Italy the main attention is obviously being paid to the provision of housing.

There is a close connection between motives of social policy and the reasons behind the economic policy decisions for the fostering of increased acquisition of property. In the Federal Republic, for instance, when the Law on Savings Bonuses was passed, it was also the purposes of the capital market that were being pursued, with a view to increased private savings on long-term deposit facilitating the financing of public and private-sector investment. In the case of the Law on House-building Bonuses of course the main aim was the encouragement of housing construction. In France profit-sharing is tied up with investment aid for firms with a view to the simultaneous stimulation of economic expansion. In the Netherlands what is being aimed at also is an anti-inflation effect, to be achieved by long-term locking-up of purchasing-power.

The choice of this or that system in each Member country, and its details, depend of course on the weight given to this or that aim in view. Usually at any given time a whole collection of measures is in force, some of them to the benefit of the population as a whole, others only for lower-income groups or the working-class, particularly workers on low wages. In most cases various forms of encouragement such as taxation allowances, bonuses, loans at reduced rates of interest and interest allowances are in operation at the same time.

The encouragement of property acquisition in the Federal Republic by broad sections of the population, particularly by the workers, takes three forms.

Firstly, tax allowances and the grant of bonuses on deposit savings as provided for under the Law on Savings Bonuses, then what is provided for under the Law on House-building Bonuses, and favourable tax-treatment of life-insurance savings and steps to acquire own homes. These are advantages which anyone can put in a claim for. The second important area is arrangements, in the scope of collective agreements, for allowances of property-acquisition effect for workers in certain sectors. Thirdly, measures taken by individual firms for the benefit of their own employees play an important part. Bonuses paid on savings-accounts have up to now resulted in deposits at present amounting to about 20 thousand million Deutsche-Marks, which means 10 per cent of all savings-deposits by resident private persons. Savings deposits under bonus or tax-reduction schemes for home-building at present amount to around 40 thousand million Deutsche-Marks, nearly three-quarters of the total being deposited by wage- and salary-earners. This is a figure to be looked at against the background of the total amount spent on housing-construction in 1971, which was 45 thousand

million Deutsche-Marks. It is not without interest in this connection that almost 40 per cent of households in Western Germany own their own houses or flats, which can be regarded as visible evidence of the success of housing policy in the Federal Republic.

There have been interesting developments in the encouragement of property-acquisition in the Federal Republic by workers as employees. The number of workers receiving allowances of property-acquisition effect from their employers, amounting to 300 Deutsche-Marks a year on average, rose in 1971 from nine to twelve million. To these are to be added 1,600,000 State employees, making a total in 1971 of 13,600,000 receiving allowances of property-acquisition effect from their employers. With the working population of the Federal Republic at 22,400,000, this means that well over half of those employed are benefiting by this new system of allowances. It also meant that the private sector last year shouldered a burden of about four thousand million Deutsche-Marks. The actual amount of increase in workers' holdings so brought about, however, was considerably greater. If we consider that the workers have not limited themselves to merely accepting the employers' allowances under the new system but that many of them have also made savings of property-acquisition effect out of current wages-income, taking advantage of reductions and bonuses allowed by law, we reach - and this is based on figures from the banking world - a total figure for savings of about 7,650 million Deutsche-Marks. If to this we add State bonuses on savings and on deposits for house-buildings purposes, which together are to be estimated at about 30 per cent, the accretion of workers' holdings in 1971 resulting from the application of the legislation on property acquisition comes to just ten thousand million Deutsche-Marks. The great importance of what we have just established lies above all in the fact that it has been



possible, thanks to the existing freedom of action in the matter of conclusion of collective agreements and the Third Law on Property Acquisition, to stimulate also population groups who had not before been in the habit of putting anything by to start out on a new road of personal responsibility.

The new development we have been witnessing is due to the readiness of the employers, which they made clear in 1968, to come to an agreement with the trades-unions on allowances of property-acquisition effect. The unions accepted the offer made. The new road taken together by the employers and the unions has led since then to successes which can be held to be impressive. The task of German employers, as they now see it, is to broaden the road and build on the successes achieved.

No doubt, with the multiple possibilities offering for the acquisition of property in the Community, the picture is a confusing one and the results are difficult to compare. I think however serious attempts should be made in the other countries of the Community to profit by the positive experiences we have had in the Federal Republic with the encouragement of property acquisition by the workers. German employers stand ready for an exchange of impressions and to work together particularly on this with their colleagues.

For conclusions to be drawn from the comparison of Member States' systems for the promotion of the acquisition of property, I refer you to the views expressed by the Employers Association Committee at the Commission hearing of 24 November 1971. They concentrated on the following points: Measures for the promotion of

property acquisition by the workers should be agreed on in the framework of collective agreements, the collective agreement method being preferable as a matter of principle to any State-imposed coercive measures. The use of collective agreements provides the greatest possibilities of adjustment to the needs and mentalities of workers and firms in the several countries of the Community. Attention is also to be paid to keeping the financial load employers have to shoulder by virtue of these allowances inside the limits of economic capacity, so that harmful consequences are avoided for money-values stability, full employment, economic expansion and the balance of overseas payments.

#### D. Capital and Labour in Dialogue

Another question coming under the main theme of "Man in relation to the Firm" is that of how capital and labour are to work together on Community level. As progress is made towards the achievement of the economic and monetary union the need will arise of more exchanges of opinion on social policy, and with the advance towards economic integration and its extension to cover currency policy and with the political consequences that will well up, there will have to be intensified cooperation between the two sides of industry and the institutions of the Community. The dialogue between capital and labour on Community level will have to be adapted to the new situation arising as will also the possibilities of their working together on the decisions that affect them. Here of course we are not starting from Square One. Ever since the EEC was established European capital and labour have been holding talks, for instance in the bodies set up for

the purpose, such as the Economic and Social Committee, the advisory committees of the Commission and the Joint Committees. They have also had and continue to have direct contacts without the presence of third parties, at national-association level and at industry level.

The question now arises how their relations and discussions can be enlarged upon. We must concur in the views expressed by the Commission in its memorandum on social affairs (Document 600) to the effect that at the present time the main endeavour under a European incomes policy still to be worked out must be to develop the dialogue between capital and labour. At present it is an open question what form it is to take and thought will have to be given to the part to be played in future by the Economic and Social Committee as the meeting-place of all interested groups in the economic and social life of the Community. In no case should any form be chosen for this dialogue which infringed on the freedom of negotiation of capital and labour as recognized in every country of the Community. The Joint Committees proposed by the Commission, with their membership being appointed by the Commission even on the proposal of the organizations coming in question, do not meet the principle of freedom that we must insist on. In this context we frequently hear a wish expressed by the unions for European collective agreements. It would take us too far from the subject of the present text to go in detail into the very weighty legal questions which this raises. In the absence of any uniform basis of law, as our enquiries have shown, "European collective agreements" could only be conceived of as non-binding models or as agreements of like content for application in single countries. Defining with any degree of clarity what the content, the material

substance should be, raises difficulties which are of equal if not greater difficulty.

It is a well-known fact that inside each national economy are to be found regional differences, which can be very considerable, in wage-levels and other working conditions. They come from differing locality considerations, differing productivity levels and performances, differing cost of living levels and in part from differing degrees of emphasis placed on certain remuneration factors. The bigger the area covered by the economy the more these differences will be in evidence. It seems neither realistic nor desirable to wish to remove the variations in wage-levels and other working conditions which these differences give rise to. There are other important variations which arise from the varying wages-structures in the various countries. In France wages in the main are aligned to the necessities of life for the individual employee and the State system of family allowances takes account of this national wages-structure. Wages policy in the Netherlands takes into account that children's allowances are lower than in France and bears family circumstances in mind, though to a less extent than previously. If such structural variations cannot be removed any attempt at European conformity must lead to distortions arising.

In the same way, a European regulation of general working conditions, at least at the stage integration has now reached and, I think we must presume, for a long time yet, must in the main be regarded as unrealizable. To begin with, there are wide areas of these general working conditions, and we may take working time and holidays first, which are governed by the Member States' law-books and their

variations; and legal provisions make it impossible, at least from the practical point of view, for the two sides of industry to make any arrangements in respect of some of them in collective agreements. The individual areas here, such as the length of the working week and annual and paid legal holidays, offset one another and are internally correlated. For this reason those concerned are gradually realizing more and more that the main decisive thing for an assessment of the question of working time in the different countries will be a comparison of the actual time worked in the course of a year. This amount of time however cannot possibly be the subject of any settlement under collective agreements. The crucial factor is that wages, general working conditions and social-security benefits, seen from the point of view of the economy, are all indissolubly bound up one with another. They are all outgoings from the same fount, out of the stock of goods and services produced by the economy as a whole. This is an undisputed and undisputable fact and one that must be borne in mind by all concerned in collective agreement negotiations.

Reflection on these matters leads us then to the conclusion that it will not be possible in any foreseeable period of time to arrive at binding agreements of this kind between the two sides of industry on European level. One of the necessary conditions would be the harmonization of collective labour law, but labour law forms part of a body of law which takes on highly varied shape from one Member State to another and is in part grounded and codified in constitutions and based on differing historical developments and differing mentalities. The idea of concluding European collective agreements should therefore be dropped so that the dialogue between capital and labour

is not put in peril from the outset.

A proper subject for talks between the two sides of industry is offered by the problems of the present day that have reached a stage of importance in all Member States or will do so and are seen to require to be dealt with on Community level. Here again employment policy comes at the top of the list; for dealing with it the Council of Ministers has established a forum, which employers and trades-unions had been calling for for years, with the appointment of the Standing Committee for Employment Questions. It affords the opportunity of bringing the opinions of capital and labour to the notice of the Council of Ministers before it takes decisions. Another subject for talks could be the possibility of a European incomes policy. The stage-by-stage achievement of an economic and monetary union in the European Communities makes it appear desirable for the two sides to talk over their ideas on what an incomes policy should do and aim at and on the problems that will be faced in bringing it into being. Many trade-union leaders, we know, clearly see an incomes policy as a means to the redistribution of wealth; the employers look on it first and foremost as an instrument for the checking of inflation, a method ensuring overall effect. As progress is made with the economic and monetary union it will be increasingly necessary for employers and unions to frame their wages and conditions policies more than before in accordance with Community aims and abandon purely national policies. This presupposes that each side will not only collaborate more intensively with associations and unions in the other countries of the Six but also be ready to conduct joint talks on Community level. A first beginning was made in 1971 when the Commission, in compliance with the

resolutions of the Council of Ministers, staged a discussion of the report on the economic situation with representatives of capital and labour, even if it was in separate sittings.

#### FINAL OBSERVATIONS

The questions I have been touching on have a bearing, some of them a more direct one, some of them a very indirect one, but all of them a bearing that cannot be neglected, on the place and part of man in relation to the firm, both as a worker on the job and as a member of society. We must address ourselves to the sober analysis and discussion of the many-sided problems, the satisfactory solution of which is what peace in industry depends on, as well as the personal well-being of each one of us. We know from experience, and it has been a very bitter experience at times, how intimate is the connection between peace on the labour front and peace in the political sphere. For this reason the search for the right solution lays a heavy responsibility on the two sides of industry and on the institutions of the Community and moreover they must have the aim of the general good constantly before their eyes. An agreement on questions in dispute, going beyond what the economy is capable of or undermining our market economy, would be a bad solution and no lasting one.





CONFERENCE  
"INDUSTRY AND SOCIETY IN THE  
EUROPEAN COMMUNITY"

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REPORT N°. 3

THE FUNCTION AND POSITION OF  
INDIVIDUALS IN THE ENTERPRISE

by  
J. HOUTHUYS

COMMISSION OF THE EUROPEAN COMMUNITIES

VENICE - 1972



MAN IN THE ENTERPRISE

We are obliged, now as always, to develop our views of things in a succession of analyses and syntheses, of facet-by-facet approach and panoramic survey, of part and whole. On the one hand, the subject that has been allotted to us, i.e., "Man in the Enterprise", fits into the larger context of the subject of the Conference : "Industry and Society in the Community". Furthermore, we have been asked to deal with the subject as trade unionists, so that we have confined ourselves to treating it from the standpoint of the trade union movement. Even seen in this way, the reader should know that at the level of the European trade union movement there exists both unity and diversity of views concerning the subject in question. A Conference such as the present one has the great advantage, seen against this background, of submitting for discussion, in their general features as well as in their component parts, the subject "Industry and Society" and the sub-division "Man in the Enterprise", to a large number of persons concerned drawn from a wide variety of professional circles within Europe. May this confrontation engender light which can serve to illuminate our action for the development of a European society in the service of European man.

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It is not a difficult matter to situate the subject "Man in the Enterprise" in the broad theme "Industry and Society in the (European) Community".

We could say that the former is a transposition of the latter within the microcosm of the enterprise. In the final analysis, it is here a question of the same thing twice over : the confrontation of technique, organisation and economy with Man, in the first case in the wider context of Society, and in the second in the narrower framework of the Enterprise. Furthermore, the mutual relations between both "worlds" are so intense that we could almost say that industry is the sum of the enterprises and that the community of people in the enterprise - the workers - is then the most important component of society.

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The term "Man in the Enterprise" obviously refers to the workers in the enterprise. When we speak of workers, we have in mind all workers, each separately and all collectively. Consequently, the term also includes the supervisory staff, the engineers and the whole group of senior executives, the laboratory and research staff, the headquarters personnel ... We shall indeed have something to say in due course about the place occupied by the management itself. Lastly, it should be pointed out that we are concerned here, quite obviously, with "the enterprise" ! For the workers, this is of course the great, everyday reality ... but "legally" and "institutionally" it hardly exists in our various national legislations. At this level, only the joint stock company exists ! However, no-one would dream of formulating the subject in the following terms : "Man - or workers - in the joint stock company". And a good thing, too ! However, is it not typical, at the same time ?

The subject "Man in the Enterprise" also divides up into three sub-sections. In consultation with the rapporteurs concerned and the EEC departments, we should confine ourselves to three sub-divisions of the subject. The choice may seem arbitrary to some, but a selection had to be made. We have selected these subjects not only because they are important, but also because they are located before us rather than behind us. They still need to be thought over and they still have to be implemented. They provide matter for consultation, exchange of views and confrontation. Experiments are desirable for each of the subjects.

The three subjects are :

- Profit-sharing and Investment Wage schemes as a means of arriving at new relationships between worker and enterprise and, seen more widely, between society and industry within the European Community.
- Collective agreements at the European level.
- Participation in the Enterprise.

All three of these subjects are of importance for the workers, for all three change existing structures. They are therefore also socially important and fit excellently into the wider perspective of the Conference, i.e., "Industry and Society" according to our European way of life. It is however obvious :

- that profit-sharing and investment wage schemes, depending on the formulas and systems chosen, can deeply affect both income distribution and income appropriation;
- that the implementation of collective agreements at the level of the European sector or of the European company (multinational enterprise) may be very important for social and political Europe;

- that participation of the workers in their enterprise, at the level of the workshop, the department, the enterprise and the company, may considerably change the capitalistic and anonymous system itself within the European framework.

Thus, Man in the Enterprise is to a large extent determinant for Industry in Society !

Profit-sharing and Investment Wage schemes as a means of arriving at new relationships between worker and enterprise and, seen more widely, between society and industry within the European Community.

It must be pointed out first of all that I, as a trade unionist, can regard profit-sharing and investment wage schemes as interesting only insofar as they are a means of arriving at new relationships between worker and enterprise and, seen more widely, between society and industry within the European Community. These new relationships must be firmly anchored in new structures, contributing towards a more human world for workers in the first place and for the whole of society in general.

All forms of direct profit distribution to the workers of the firm as well as all forms of workers' shareholding or of people's capitalism therefore do not suit us, either from the workers' point of view or from a European point of view. I am well aware that these forms exist here and there, that they are more widespread and appreciated in the United States, but for our European workers these forms merely result in promoting the existing capitalistic system.

This also amounts to saying implicitly that for our workers neither profit-sharing nor the investment wage is a legal title or a legal means, on which the workers' right to co-determination must be based. The right of the workers and their trade unions to have a say in the enterprise or in the national economy is not to be based on property titles ... for we should then not only legalise a contested system, but even forge a company law system after the event, which in fact is already overtaken. The workers' labour is a more than adequate basis for their right to have a say in matters !

### General definitions

Very generally, we understand by profit-sharing a system whereby a share in ownership of the growth in assets in the enterprise or company resulting from surplus profits or self-financing is granted to the workers, in the form of ordinary or special shares. Self-financing implies that a part of the profit - the surplus profit - is not distributed but is appropriated to reserves and used in the enterprise itself. Surplus profit precedes self-financing and could be defined as what remains after a reasonable remuneration has been paid to the capital in the form of dividends. In this way, the notion of "profit" is implicitly changed : on the one hand, it is acknowledged that the capital is entitled to a reasonable remuneration - dividend - which may be regarded roughly as a "cost", after the wage; on the other, there remains thereafter a possible "surplus profit", to which certainly labour and capital, but possibly also the consumers and the government, are entitled. This growth of assets is distributed and, depending on the formula, may or may not remain in the enterprise.

Either the "surplus profit" is paid out without restriction to the parties entitled, which for the workers amounts to saying that it will largely go to consumption. This is an ordinary profit distribution.

Or the "surplus profit" is added to the firm's own resources in the name of the workers concerned in the form of ordinary or special shares and the sums serve for the self-financing of the enterprise. They are then blocked for a certain time and are then a form of compulsory saving and investment, which each year gives a normal "yield" for the workers concerned.



Or else the workers' share is compulsorily re-invested outside the firm itself in mutual funds : per branch of industry, per area or at the national level. In this case, too, these blocked funds must each year give a normal "yield" for the workers concerned.

The way in which these directly shared-out surplus profits or these normal yields of the invested surplus profits are divided among the workers may be very divergent : they may increase, maintain or decrease the existing inequalities of remuneration among the workers.

Various options are consequently to be exercised here ... depending on our wish to create or not to create new relationships and new structures.

The same applies to the investment wage.

By investment wage we understand that component of the wage or of a wage increase that receives a special destination by collective agreement or by law : i.e., for asset formation or investment and not for consumption. The investment may occur in the enterprise itself or in a community of enterprises via an investment company or a mutual fund. The extent of this investment wage is generally conceived as relatively small, as an extra or as something marginal : e.g., 1 % would already be substantial. It should be pointed out that the investment wage is determined proportionally to and in function of the wage, and not of the profit. Here, too, the formula implies that these funds as a general rule and for a certain period - e.g., 5 or 10 years - are blocked and thus withdrawn from consumption. This investment wage will, in respect of the workers, normally take the form of bonds or claims on which an annual interest payment is due.

For profit-sharing as well as for investment wage, it must then be ascertained how the workers will receive guarantees and how they will be able to exercise the power to have their say, respectively in the case of ordinary or special shares from profit-sharing in their own enterprise or in a mutual fund, or else in the case of bonds from investment wage in their own enterprise or in a mutual fund. Here too recognition and guarantees must be present and that cannot happen without the recognition of the representative, acknowledged trade unions.

What is aimed at with profit-sharing and investment wage schemes ?

Originally, the idea of profit-sharing was mainly developed from considerations of justice at the level of the separate enterprises. Indeed, people had come to realise that justice vis-à-vis the workers was not served once wages had been paid - even if they were relatively high - if at the same time it was seen that the shareholders not only received a reasonable dividend but also also laid exclusive claim to the growth of the capital via all kinds of appropriations to reserves and depreciation techniques in an ever increasing practice of self-financing. In the interests of justice in distribution, the workers should also have their share in the increased assets. This moral recommendation is made, inter alia, in the social encyclical "Mater et Magistra" (1961), in which it is argued that the workers contribute labour to the formation of these increased assets.

Thus far this micro-approach of a social and ethical nature.

However, a macro-approach is just as valid, from the economic and social as well as the ethical standpoint. It is based on a new social vision.

Prof. H. Delaëck summarises this point as follows in an article :

"Profit-sharing and investment wage schemes are techniques whereby, in an institutional way, it is desired to change the existing structures of the distribution of income but above all of assets, in the direction of greater spreading and diminution of the distance between a large group of owners of capital. It is the aim, at least to some extent, to distribute the proceeds of the production in another way, and to involve wider groups of the population, more particularly the workers, in the investment function. In this connection, it is the endeavour to bring about new institutional relations concerning the application and distribution of profits, the method of financing industrial expansion and the relevant relationships between capital and labour, which are more in line with the social conceptions of the second half of the twentieth century.

"We cannot go further here into the fact that the incomes and assets are still to a large extent unequally distributed in our Western society. Reference must indeed be made to the remarkable phenomenon of the constancy of the share of wages in the national income : seen over a fairly long period (and taking account, naturally, of the growth in the number of wage and salary earners in the active population), this share (direct and indirect wages together) always remains equally great throughout cyclical fluctuations.

"This phenomenon may, in simplified form, be explained as follows. If the wages level (the labour cost) is pushed up higher than the labour productivity, then we arrive at an inflationary process whereby the price rises will cancel out the advantage of the wage rises. For its part, the share of the capital proceeds cannot be reduced without thereby impairing the foundation of economic growth. The shares of labour and capital in the national income may indeed increase in absolute volume, but the relative shares will remain the same. If now it is desired to increase the share of wage and salary earners in the national income, then this is only possible by causing them to share in the capital

yields and thus in the capital ownership.

"Profit-sharing and investment wage schemes are thus techniques whereby it is desired to break out of a twofold circuit : increase of the share of the wage and salary earners in the national income (wider distribution of assets and income) without inflation and without reducing the total volume of capital goods. Positively speaking, in view of the increasing need for investments, in particular risk-bearing investments, a social and economic structure will be set up whereby the entire population is involved in the investment function. Just as they are now (through the social security structures) involved in the social security of existence, the working population could thus also be structurally involved in the economic security of existence". (1)

And I should like to add something further : not only in the economic security of existence but also in the economic expansion, which is rendered possible by these extra savings and hence extra investments. Furthermore, this economic expansion will have to be implemented according to the targets and the directives of a democratically developed economic planning.

As stated, the profit-sharing and investment wage schemes are placed in a wide general and structural social framework.

The trade unions in the European Community ask themselves many questions and lay down even more conditions.

It is quite common knowledge that the trade unions in Europe do not agree on this question and that there are ardent advocates as well as opponents of the idea. The fact that, for instance, some see it as an important means for structural reform, and others find that it is an integration into the capitalistic system, is at first sight indeed paradoxical !

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(1) Deleeck H., "Vermogensaanwasverdeling en investeringsloon" in "Synopsis" (BDOP), March-April 1969, pp.72-73.

Much, however, is explained by the following considerations :

- even though the same words : profit-sharing and investment wage, are used, they do not refer to the same thing. The form, conditions, context and system under which profit-sharing and investment wage schemes can be developed are so divergent that it may in fact be a question of very different things, concerning which one will in some cases be "for" and in others "against";
- in each of the countries concerned, the basic conditions for profit-sharing and investment wage schemes are not always present. We refer here to prior conditions which have to be implemented. We merely have to think of the basic wages and the basic social security ... or of the reliability of the basic accounting data in the case of profit-sharing.

However this may be, the trade unions in the European Community ask themselves many questions and lay down even more conditions. (2)

Thus, we know that the three Netherlands trade union federations and the German DGB are definite advocates of the profit-sharing and investment wage schemes. But this does not prevent them from being critical and from laying down conditions. The DGB thus rejects all measures :

- which jeopardise social security and co-determination;
- which adversely affect a reasonable growth of the workers' standard of living or hinder their mobility;
- which form a serious danger to full employment, economic expansion and price stability.

The attitude of the French trade unions is very much determined by the concrete system that was introduced in France, mainly by the decree of 17 August 1967.

According to the CGT, any system of encouragement of capital formation by the workers must be subjected to

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(2) See "Standpunten van de verschillende milieus" - V/252/71-N - memorandum by the EEC departments.

certain conditions such as increase of the wage income with guarantee of the sliding scale of wages, expansion of the supplementary pension systems, based on profit-sharing, improvement of the whole system of social security.

Furthermore, the stimulation measured would also need to aim at social targets, and mainly at saving for homebuilding.

The Confédération française démocratique du Travail (CFDT) thinks, in principle, that the community must be owner of the growth in assets created by self-financing, i.e., an enterprise, the consumer, the worker and the state cooperating in the formation of these assets.

Moreover, in the French system of 1967, the investor remains free in his investment decision, while the worker is obliged to make savings from his wages, without the workers and their representatives being able to exert any influence thereon.

F.O. is opposed to any measure whereby the workers are obliged to save. Such a system for the promotion of property-formation cannot be accepted as long as the resources of the majority of the workers remain inadequate.

F.O. is also opposed to stimuli aimed at making the workers shareholders of the companies in which they work. The workers then run a twofold risk : in case of bankruptcy of the firm, they may lose both their job and their savings. Furthermore, the ownership of shares in the company where one works forms an obstacle to the geographical mobility and the occupational mobility, which are promoted by the government.

In Belgium, the ABVV which "is against any form of incomes policy, is also apposed to arrangements for property formation which force the workers to save. It considers, on the other hand, that a study needs to be made of the factors which determine the savings sense and the consumption impetus : rather than stimulating the workers to save, the consumption of useless products needs to be checked, especially if the latter is a consequence of advertising via modern mass communication media".

In Italy, for instance, "the CGIL, which rejects any form of incomes policy, is in principle against a policy aimed at property formation which forms part thereof. This workers' organisation is also opposed to all systems that lead to workers' participation in arrangements aimed at capital accumulation, arrangements which are dominated by major concentrations. It is of the opinion that the most important problem is not the formation of property with the workers, but that it would be necessary to go more deeply into the distribution of the increase in the national wealth (with a view to ascertaining the extent to which the workers derive benefit therefrom) and in the development of consumption, more particularly into the distribution between private consumption and public consumption. The tax reform, which is now being called for by the Italian trade union federations, will have to make possible a policy of government expenditure to promote social investments, whereby the lack of equilibrium in the Italian economy will be overcome".

This concise summary illustrates the fact that apparently paradoxical positions of the various trade unions within the EEC may largely be explained

- either by the formulas concretely proposed, which may be better, good, or bad;
- or by the absence of the prior basic conditions.

My own organisation - the Belgium ACV - has only incidentally expressed an opinion on this whole group of problems at the time of its orientation congress in 1968. In the report "Responsibility for the Future" - ("The social programme of the ACV" - Part III - Chapter II), under the heading "The wage remains the core of the workers' income - Other forms of workers' income are becoming more important", we read the following : "These ideas have been disseminated in recent years for diverse and partly fundamental reasons, and have been implemented here and there in one form or another.

"We too shall be confronted with this in the near future and we are prepared to fall in positively with this idea.

"However, we formulate a fourfold reserve :

- these formulae cannot be imposed on the workers against their will;
- in any case, they remain supplementary vis-à-vis the ordinary pay and acquisition of income;
- they are not regarded by us as a "legal title" in order to be able to have a say in the joint stock company : the workers wish to have a say in the enterprise directly on the basis of their work;
- the introduction of this system must contain sufficient solidarity elements so as not to increase further the existing pay differences between strong and weak enterprises".



An attempt at concretisation in the case of Belgium.

A rather modest application of profit-sharing and investment wage schemes in a country such as Belgium would nevertheless have a considerable structural significance in the long term. In this connection, it should be borne in mind that Belgium has a high wages level, relatively and absolutely, that the industrial profitability is certainly not on the high side and one form of property spreading among the workers is highly developed by comparison with other countries : 50 % of the workers' homes are their own property.

According to the calculations made by Prof. Deleeck on the basis of 1965 figures, "with an annual distribution of claims on assets to the amount of 5,000 F (which more or less corresponds to two weeks' wages for the average Belgian industrial worker), an amount that belongs to the field of realistic possibilities in case of allotment of half of the growth in assets to the worker, a worker after 40 years' service, and subject to capitalisation of an interest rate of 6 %, would have assembled assets of nearly 775,000 F. In the same hypothesis, after 20 years the capitalised assets would amount to approx. 184,000 F. If only the claims on assets themselves remained saved, and the interest would have been used, then these assets after 40 years would amount to 200,000 F and after 20 years to 100,000 F. This amount is valid in the case of unchanged value of the annual growth in assets; it would be realistic to take account of an annual growth percentage of, e.g., 3 %, which over a period of 40 years would yield almost double this amount. The extent of these individual amounts (both of the assets and of the capitalised interest) is indeed impressive". (1)

Although the yield of these capital amounts remains small by comparison with the wage income, reasoning on the one hand on the basis of the figures just mentioned and on the other, of the basic statement that - regarded in the long term - the relative share of the income from labour remains constant in the national income, then it remains

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(1) Deleeck H., "Vermogensaanwasdeling en Investeringsloon - Een terreinverkenning", een SESO-studie in opdracht van de Christelijke Centrale van de Houtbewerkeren and Bouwvakarbeiders" - 1967 - pp. 180-181.

equally true that according as, with the passage of the years, the workers' share in the overall saved assets of the nation increases under the influence of profit-sharing or investment wage schemes, the relative share of the workers' income in the national income will also increase considerably.

For what purpose could profit-sharing and investment wage schemes serve structurally ?

Other introductory reports on the same subject will also reply to this question. In this respect, much depends on the formulae and methods selected.

I shall therefore deal with this question rather summarily. (3)

Profit-sharing and investment wage schemes could be used structurally :

first and foremost in respect of production, then in respect of income distribution, and lastly in respect of income appropriation.

This influence will make itself felt on the margin of social and economic life. Major shifts in social and economic life are not to be expected in the short term : abrupt changes are indeed neither possible nor desirable. The charm of living is like the charm of a woman : a little something extra makes all the difference !

In respect of production, profit-sharing and investment wage schemes could exert action on

1. the strength of economic expansion because the investment volume is sustained via the savings volume and - in the case of investment wage schemes - is directly increased;
2. the orientation of economic expansion because, in national investment fund formulae, certain qualitative targets can be aimed at

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(3) See "Basiscriteria voor de vaststelling van de lonen en de daarmee samenhangende vraagstukken van een loon- en inkomenspolitiek", report drafted by Prof. G. Bombach (Basle), Prof. L. Baeck (Louvain), Dr. Merli Brandini (CISL, Rome), Prof. Sellier (Aix-Marseilles) and Prof. D.B.J. Schouten (Tilburg) on instructions from the EEC Commission. "Studies" in the "social policy series", No. 19 - 1967.

- either the strong points of the economy
  - or the sectorial goals of an indicative and democratic economic planning
  - or certain collective arrangements
  - or regional economic development
  - or social infrastructure works
3. certain aspects of inflationary tensions in the wages-prices spiral could be attenuated via the investment wage;
  4. the cyclical policy in general, as regards both anti-inflation and anti-deflation measures. National investment funds can be used for cyclical control purposes;
  5. the democratisation of the economy. All the previous elements together can be developed into a concrete instrument of democratic national economic planning in countries of the workers' collectivity and of the national community.

- In respect of income distribution, profit-sharing and investment wage schemes could be used structurally
1. in order to revise partially the overall distribution of the National Income between income-from-labour and income-from-capital in favour of the workers by providing the workers with an income-from-capital as well as their income-from-labour; this redistribution effect is exerted at the very basis of the income distribution and not subsequently, such as occurs, for example, via taxation;
  2. within the workers' group itself, to make of the profit-sharing and the investment wage a redistribution income among all workers, thanks to one or another technique. In this way, the differences in direct wages among the workers are attenuated by these equalising investment yields;
  3. via the investment supplement and the nature of these

investments, to exert indirectly an income distribution effect. Indeed, these investments may lead to new and better employment, i.e., labour income. They may also, via the collective arrangements and the social infrastructure which they bring about, have very real income redistributing effects for the workers;

4. via their contribution to price stabilisation, either to protect the real wages, or to leave more scope for real wage increases.

Lastly, in respect of income appropriation, the profit-sharing and investment wage schemes would in a first stage as well as permanently contribute to the development of the savings function with the workers. Naturally, this aspect comes after the voluntary savings by the workers, after the workers' saving for homebuilding, after voluntary savings as a supplement to the compulsory social security by the workers. However, this form of compulsory but temporary saving, by collective agreement or by law, also promotes the savings function with the workers. In the negative sense, one may oppose to this the compulsory saving with the workers - with the active population - via taxation imposed by the government, either directly or indirectly via the taxation of goods and services. Positively speaking, this form of compulsory but temporary saving by collective agreement or by law may, by the manner in which it is tackled and worked out, make the workers more aware of the fact that they are actively involved in the economic events of their country and of their enterprises and that they perform an active and autonomous role of their own therein.

Seen in this way, I think that, by and large, we can and must approach the problems of profit-sharing and investment wage schemes in a positive way, from the point of view of the labour movement, on condition that we safeguard - in an unprejudiced way - the prior conditions

therefore, that we aim at the form which is structurally most favourable for the workers ... and that we continue to bear in mind its relative nature. Only then is it an element of fundamental progress and development of the workers as a whole.

To contribute to this end is the role and the proud task of the trade union movement.

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## COLLECTIVE AGREEMENTS AT THE EUROPEAN LEVEL

The development in the direction of the progress of social law and in particular of working conditions in the six Common Market countries in recent decades has been determined to no small extent by the collective agreements.

In the other sub-sections of social law which traditionally belong to the competence of the legislator, inter alia in the field of social security, consultation between the social partners has to a considerable degree played a trend-setting role.

Naturally, all this has not proceeded without difficulties. Sometimes, the conflicting interests were only reconciled after long and bitter conflict and even more laborious consultation.

In general, however, it may be observed that the social partners have come to show a greater openness towards each other and a readiness to talk things over. This open approach and this readiness are found most markedly in those countries where both parties are aware of the positions of strength acquired and of their common responsibility for the social and economic progress of the country and of the entire population.

Cannot the experience gained at the national level be made use of with a view to enabling the economic and social integration and development of the European Economic Community to proceed in a peaceable and harmonious way, in the light of a constant improvement of the living and working conditions of the entire population concerned ?

We wish to seek a reply to this question, whereby

we have in mind above all the worker, and man in the enterprise. In particular, we wish to place the attempt to achieve collective agreements at the European level directly at the service of the worker, of man in the enterprise. The connection between the two is obvious.

The fact that the problem is not so simple may be seen from the historic observation that the very idea of European collective agreements was disseminated with some enthusiasm by the trade unions as well as by the European Commission at a quite early stage already, i.e., in the early 1960s.

How is it that so little came of it ? Certain reasons are quite evident.

It is no secret that the European employers have, in an overall and persistent way, opposed the conclusion of European joint collective agreements, whatever their content might be. Nor is it a secret that the Council of Ministers was just as assiduous in checking any initiative in this direction and certainly did not promote a positive framework in which European collective agreements could be concluded.

Does the Commission alone bear all the blame for this ?

Must not our trade union organisations do some soul-searching in this respect ?

The Vice-President of the European Organisation of the WCL, J. Alders, formulated in a memorandum on European Social Policy dated 20 December 1968 a number of critical observations about the attitude of the trade union movement at European level.

Two quotations from that note are given below :  
"Certainly, we have our social programme, but is it our



intention to execute this programme ? Is it not a fact that only the trade union officials who are professionally concerned with the EEC are genuinely interested in it, while those on the domestic front go no further than discussing the matter with interest from time to time, but do not arrive at converting the trade union structures and activities in such a way that there are real chances of implementing the European Social Programme ? What about the unanimity of the trade union movement on fundamental social demands ? on priorities ? We often reproach the Commission for lack of vision and power of action in the social field, while we paralyse ourselves through lack of unity of views".

A second quotation :

"Have we already an adequate vision of what the society of tomorrow will need to be like if it is really desired to make possible human progress in the broad sense of the word ? And if here and there people already have a view of these fundamental questions, have these views already been compared with each other ? Has an effort been made to arrive at a common view ? Have we considered what means need to be applied in order to convert this vision into living reality ? And what needs to have priority ? I am sorry to have to say that experience has taught me, alas, that in the case of consultations of the social partners in the EEC context the influence of the trade union movement was often reduced to nil, on the one hand as a consequence of the fact that the trade union movement presented an impressive list of desiderata without indicating priorities.

Subsequently, it clearly emerged in the discussions that there was no mutual agreement, sometimes even on matters that are of fundamental importance".

Focussed on our demand for collective agreements at European level, from the trade unions' point of view,

"the essential prior conditions which determine whether or not European collective agreements will come about are :

1. the existence of autonomous, strong, integrated and adequately equipped European Trade Unions and Trade Union Federations, which are in a position to oblige the employers and governments to sit down at the negotiating table;
2. the definition of the goals which are valid for the whole of the European trade union movement and in order to achieve which the whole trade union movement, both at the European and the national level, is prepared to use every means, including strikes".

"The question of European collective agreements is primarily not a juridical problem, but a question of power relationships and in connection with specific conflicts of interest with respect to working conditions between one or more employers, whether or not grouped in organisations, and on the other hand, one or more groups of workers organised in unanimous, strong organisations.

The social history of the six countries shows us that, long before the collective agreements were included in the legislation as a legal institution, arrangements were reached for the purpose of settling these conflicting interests, arrangements which have all the characteristics of a collective agreement as now recognised in law, the only difference being that the application thereof was exclusively decided either by the strength of the trade union movement or by the good will of the employers and their respect for their word. In Belgium, this de facto situation even lasted until 1970".

Over the past two years, however, some rays of light have been observable, which may give us grounds for

hoping that the trade unions want to tackle the matter seriously.

Very generally, they base themselves for this on the new approach to social policy in the EEC which seems to be emerging since the Conference of EEC heads of government at The Hague. A concrete indication of this is the fact that the EEC Commission wants to promote the establishment of more European joint committees per industrial sector.

The trade unions, however, base themselves on other elements. There is obviously a stronger and renewed awareness and attempt by the various national trade unions - however they may be organised at the European level - to set themselves up at the European level as a single group and to act as a single front. This is undoubtedly the consequence of the growing Europe, but in particular of the growing European capitalism : multinational enterprises, European concentrations and understandings among enterprises and European employers' organisations.

We observe the first reactions in this direction :

- in the renewed will of our European trade union organisations to arrive at European collective agreements via European joint committees (Trade Union Internationals of the European Organisation of the WCL on 25 and 26 October 1971 at Strasbourg) and in accordance therewith "to develop a formal professional European structure to which a part of the national autonomy of the trade union organisations would have to be transferred";
- in the joint standpoint of the European Organisation of the WCL and the ECFTU, laboriously arrived at, with respect to the draft directive on the European Company, in which is also included a chapter on the collective agreement per European Company;
- in the first trade union contacts, consultation, exchange of ideas, intervention and campaigns at the level of the European multinational enterprises. The latter is important.

A. The Collective Agreement in the European Enterprise.

It is obvious that the demand for collective agreements is located in the first place at the level of the existing de facto European enterprises and - in the near future, it is to be hoped - at the level of the de jure European enterprises : the European companies.

1. The European enterprise exists, even although it does not exist in law or it already exists on the basis of complex combinations of national legislations (NV Agfa-Gevaert AG). In the eyes of the workers and the trade unions, but also in the eyes of national or European political and official bodies, the European enterprise appears more and more as a threat : the multinational enterprise. "Somewhere" they carry on a policy which makes them inaccessible to a large extent for the national or local "powers" : the social, economic, fiscal and financial public authorities, as well as the power of the organised workers in the separate enterprises or the national trade unions. How they do this we shall not analyse here. It is an important fact in our argument that at least at the European level it is necessary to arrive, in this "organised jungle", at collective agreements based on unity of vision, goals, method and action on the part of the workers concerned and their trade unions. The handicaps are great, but the need is just as great !
  
2. A European company law is a twofold necessity. In the constructive sense as a juridically structural and political contribution to the development of a Europe of prosperity and well-being. In a defensive sense, as a compulsory juridical structure for all multinational enterprises at the level of their activity

within the EEC. Defensive in the following sense : the European and national public interest as well as the workers' interest demand it. A European company law is necessary for the sake of legal security, of the European industrial and social policy, of the definition of the rights and duties of capital, of the place of the workers in this whole, of the obligation to make the "accounts" frank and reliable, of the need at this level for arriving at collective agreements together with the trade unions, in a word of the reality of the European "enterprise".

I shall develop our views on the Commission's proposal concerning the European Company in the chapter on participation in this report. In this context, I wish to confine myself to stressing the fact that in trade union circles we are in general in agreement with the views of the Commission in this respect.

Art. 146 of this proposal provides that the working conditions of the workers of the European Company may be arranged by means of a collective agreement, concluded between the European Company and the trade unions which are represented in the different fixed institutions of the company.

Lastly, it is superfluous to point out that the context in which collective agreements must come about is entirely different depending on whether it is a question of the "organised jungle" of the multinational enterprises or of the European Company, such as the EEC Commission proposes and such as we, from the point of view of the European trade union organisations, propose by way of supplement !

The trade union strategy for arriving at good collective agreements will therefore be entirely different in the two situations !

In the case of the multinational enterprises within Europe, a unitary technocratic and capitalistic "power" seeks to profit, over the entire field of a European free market of goods, services, capital and of 188 or 256 million people, from the combined "weakness" of national governments, European political institutions, (Commission, Council and Parliament) in respect of industrial policy, planning, labour legislation and industrial relations, regional policy, fiscal, financial and monetary policy, and furthermore to profit from the combined "weakness" of workers scattered over many technical industrial units and of national and European trade unions in dispersed order and without a view of the whole. Gradually, a trade union strategy comes into being here around a few enterprises ... but there are not yet any tangible results ... unless it be via the "national" enterprises concerned.

In the case of European Companies (and of National Companies), according to the combined views of the European Commission and of the European trade union organisations, we thus come in principle to other relationships, to clarity in accounts and responsibilities, to shared and balanced "power structures" within the company ... and thus to obvious confrontation of interests in European collective agreements. Trade union strategy and trade union responsibilities will thus also be different ... and man in the enterprise will do well in the process !

**B. The European collective agreement per industrial sector.**

Doubts have predominated here for the past ten years among the trade unions. We have already developed the reasons for this.

"The International Federation of Christian Metal Workers Unions has made a start with the study of the possibilities and ways of arriving at European blanket agreements which would contribute to a gradual harmonisation of the working and living conditions in the EEC countries.

In a provisional report, it advocates the establishment of mixed committees per sector which would act as forum for consultation between the social partners.

In order to prevent the consultation from occurring and proceeding "outside the autonomous national organisations and to prevent the democratic opportunity to express views, which is definitely present in the national field, from being lost at the European level", the rapporteur P.Brussel, in the method of work proposed by him, includes the national organisations in all stages of the consultation and more particularly in the fixing of the agenda, the negotiation, the deliberation on the agreement reached, the final conclusion of the collective agreements and the special mandating of the negotiators with a view to the signature thereof.

Apart from the legal questions in connection with the possibility of concluding binding collective agreements at European level, questions which are not touched upon in the preliminary report by P.Brussel, it is mainly the circumspection and anxiety that have to be stressed in this report; circumspection and anxiety about treading on the toes of the organisations, as regards national autonomy".

In the already quoted resolution of the Trade Union Internationals of the European Organisation/WCL of 25 and 26 October 1971, it is however desired to go further:

"They note with satisfaction  
-that the EEC Commission has decided to promote the establishment of joint committees per industrial branch as much as possible; they think  
-that these joint bodies must in the first instance accompany the dialogue;

- that the trade union movement must be able to dispose of the powers and means of carrying out its campaigns at European level, with the adjunction of the necessary power;
- that in order to arrive at an efficient consultation at European level, the European organisations must be able to dispose of the necessary powers, both for holding free discussions and for negotiating and concluding agreements;
- that the national trade union organisations must proceed to develop a formal occupational European Structure to which a part of their autonomy would have to be transferred".

In this context, we are of the opinion that the EEC Commission can and must do more in future.

The Commission has certainly already done useful work by issuing studies and reports on this subject.

"The Commission organised consultations of the social partners whereby they regularly had the opportunity of taking note of the development of social law by the collective agreements concluded in the six countries. In order to be able to make this information available in a more efficient and continuous way to the parties concerned, the Commission may go further and prepare a European card-index of the collective agreements of the six countries".

Still more important are the collective agreements at the level of the sector or of the whole of industry. As a first step, the Commission must develop a field of common interest that is obvious and which it knows well : the field of "fair competition" among the Member States in all domains where the actual life of the workers is involved. There is no competition about working conditions in the sense of living conditions. Large and small employers, large and small Member States must be able to agree on this point with the workers and



the trade unions. The Commission can and must promote an arrangement of this via collective agreements which it can subsequently make compulsory for all concerned, even those who did not cooperate. Indeed, recommendations of the Commission with respect to occupational diseases, employment of juvenile and female labour, invalidity and industrial medical services, already point in this direction. These fields can be expanded parallel with the conception about "living conditions - working conditions" in various sectors as well as interprofessionally. The fact that thought was also given to this point in the Treaty of Rome is proved by the provisions of "French origin" about working hours and equal pay for men and women.

"In its blueprint, the Commission suggests collective agreements on the determination of the levels of professional skill, the establishment of compensation in case of closure or conversion of enterprises, and the harmonisation of working conditions".

Thus, the Commission will render credible what it wrote itself on page 80 :

"The implementation of the social goals must likewise stem from the negotiations between the social partners. The autonomy of the latter, which is recognised in the Member States, must come to expression at community level, more particularly by the conclusion of European collective agreements, or at least by European collective agreements which must serve as guidance when concluding national collective agreements".

In this last sentence the Commission proposes a method to which the European and national trade unions can and must subscribe. Indeed; it seems to be advisable for the sake of trade union strategy that the European collective agreements should rather be worked out as "guidance" for the conclusion of national collective agreements. The advantage of this method is manifold :

- the formula is flexible vis-à-vis the national trade unions;
- the formula makes it possible, at the level of the enterprises, of groups of enterprises or of sub-sectors, to base oneself on concrete situations whereby account can be taken of the rank-and-file workers.

However, this method also implies that the national unions and federations should come together beforehand, sectorially or interprofessionally, at the European level, and thus reach agreements about what they will proceed to negotiate at national level.

Lastly, the same trade union organisations must subsequently meet regularly at European level in order to compare the results in the national field and to assess the progress made.

## PARTICIPATION IN THE ENTERPRISE

1. The third theme that we should like to develop in this report is that of participation in the enterprise by the workers. We are fully aware that we are here using an expression that is contested, not least of all in certain trade union circles. If we nevertheless use it, this is not only because this subject, thus formulated, was proposed to us by our principals in the EEC departments, but indeed because we should deliberately like to take issue with this contestation ! In fact, we could easily circumvent this contestation and carefully limit our terminology
  - either to "democratisation of the enterprise", against which expression no one can or dares react !
  - or to "workers' control", which expression is indeed sometimes advocated by the trade unions with respect to the given situation and the existing system.

We shall thus be dealing with "participation". As will indeed appear from the report, the expressions "democratisation" and "control" will also be used ... In any case, it is our intention to avoid a war of words

2. This subject is divided into two parts.

In the first part, we wish to develop the philosophy of "workers' participation in the life of their enterprise". In this way, we hope to be able to develop a sufficiently general - i.e., European - approach to the subject, so that we shall rise above "national" situations, achievements and obstacles, legislations and experiments, implementations and proposals.

In a second part, we should like to adopt a more concrete approach, but then at the European level. We should like here to develop the standpoint of the European trade unions with respect to the proposal of the EEC Commission for a Council regulation concerning the Statute for European limited companies.

3. As trade unionists, we would wish to base our argument on three recently published standpoints from the workers' point of view.

In the first place, the standpoint of our own national organisation. The Belgian Algemeen Christelijk Vakverbond (ACV) published its official standpoint in the form of a report bearing the title "Democratisation of the Enterprise".

We should then like to draw heavily on a report that one of our colleagues - G. De Swert - has written, under the title "Components for a Participation Theory", for the forthcoming Congress of the European Organisation of the World Confederation of Labour (WCL).

Lastly we shall, as we have already announced, base ourselves, for the draft "European company", on the almost parallel standpoints of the European Organisation of the WCL and of the ECFTU.

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A. Philosophy of participation in the enterprise.

4. The demand for participation is a general demand in our society of the 1960s and 1970s. But the demand for participation in the enterprise is an equally general demand of the workers in our enterprises of the 1960s and 1970s.

In this connection, it is noteworthy that in recent years we have heard the demand by the workers for participation in their enterprise - in these very terms -

not only in the Western countries but also in the Eastern countries. This is not of a nature to surprise us for the Western countries, where the enterprise system - insofar as it is dominated by capitalism, Taylorism and technocratic power - has for long regarded the workers as "hirelings" or "foreigners", "cost-incurring producers" or "expensive consumers", "underdeveloped" or "irresponsible" ... not as normal people with normal expectations and normal skills. We are of the opinion that President De Gaulle also realised this and thought of genuine participation structures ... but the distrust was too great on all sides.

Would not the entire phenomenon of the so-called wildcat strikes in our Western countries also be a reverse expression of the workers' demand for participation ? Would not the so-called unreasonable wage demands of the workers be a prolongation of the employers' practice, whereby they fob off the workers' demand for human working conditions and for participation with wage increases and bonuses ? Would not all the repugnance of the young workers for the work system be found to originate in the absence of any participation in the enterprise ? Whereas these young people feel themselves to be "adult" and are "adult", they come to discover that not only they themselves, but all workers, are considered to be -well-paid - "adolescents".

Our surprise is however greater when we learn from the Polish press that the workers' revolts of December 1970 in Poland are to be explained, inter alia, by the neglect of the workers' rights of participation in their enterprises, although the official enterprise structures in that country recognise this participation. Sociologists are able to tell us the same about the workers in Czechoslovak enterprises. The centralistic, state-run and collectivist structures here apparently make their effects felt more strongly than the participation structures for the workers in the enterprises

We could straight away link a provisional conclusion with these considerations: participation in the enterprise presupposes structures as well as people. Or in other words: people-promoting structures and structure-based people!

It is, however, superfluous here to uphold our first assertion with a lengthy explanatory comment: the demand for participation is a general demand in our society of the 1960s and 1970s. In recent years, no other word has been in such common use : in the church, in politics, in the university, in the mass media, in the cultural world, in adult education, in operation with marginal groups in regional development... and in the trade unions themselves!

Provisionally, we may also conclude from this:  
-on the one hand, that the trade unionists who jib at this "word" cannot swim against the general tide;  
-on the other hand, that the employers who jib at this "reality" will not be able to swim against the general tide either. The enterprise is not an island in society!

5. "This trend is a general reaction to disillusion. Once a democratic system was installed, as in the Western countries the democratic ideal was minimalised; it is now being maximalised again. Parliamentary democracy is regarded as a great acquisition, but an acquisition that now calls for concretisation, for supplementing by participation and by a democracy that makes its way upwards from the grassroots. My newspaper must become our newspaper, my school must become our school, and my enterprise must become our enterprise.

The history of democracy is neither more nor less than the process of increasing co-determination and co-operation of ever wider groups in society in the creation and execution of decisions which affect this society. The present-day class struggle is the struggle between those

who have a say and those who only have to listen, between the bourgeoisie of the articulate and the proletariat of the inarticulate". (1)

6. What do we understand by participation? This question must be asked, because for a few years now politic publicists, trade unionists, employers and lawyers have mastered an idea. This has not made matters any clearer. We should lose our self-confidence into the bargain!

However, we all know very well what Pope John XXIII meant just ten years ago when he said in plain everyday language that "the workers' desire to participate actively in the life of their enterprise is justified".

Active participation in life !

This is no legal jargon, but human language !

In principle, this embraces everything and nothing is excluded : certainly not the life of the enterprise.

In principle, this is valid at all levels.

Participation takes as point of departure the fact that there are people who act as such, who keep their human personality, freely and responsibly, who have their own autonomy of thought, speech, consultation and action. Thus workers' participation in the enterprise includes the group as well as the individual, the workers of the enterprise as well as the workers of the workshop, the workers who say "yes" as well as those who say "no", the workers who contest as well as those who associate, the workers as well as the workers' groups : the trade unions. Furthermore, workers' participation in the enterprise is characterised by the twofold way in which all forms of participation are expressed : by the recognition, valorisation and development of the worker in his work and in his enterprise and by accompanying guaranteeing structures of participation.

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(1) Report by De Swert G., quoted in the introduction.

One and the other inseparably together!" (2)

Stated in yet another way: participation is the endeavour of the workers to acquire influence on decision-making and thereby on the progress of the enterprise, or of the economy. The nature of this influence, the form of this influence, the level of this influence may differ... but must be tangible. Exerting influence presupposes power and counter-power, but equally well dialogue and reciprocity, recognition of oneself and of the others reciprocally. Acquiring influence is not a question of countervailing powers which cancel each other out but which set each other in motion in order to act correctly. Obviously, the workers can acquire no influence and hence wield power if they are not informed, not correctly informed and if they have no means of checking the information. Workers' control in this sense is a necessary condition for workers' participation.

"With a sense of reality and through years of experience, the workers know that this participation will not be granted easily and that the participation in power will not be allotted to them benevolently. In the strongest sense of the word it is a question of "taking" a share, i.e., of conquering, wresting, getting back what has always been refused and denied them: a genuine participation in real power".

"Hence, we can then say negatively that participation -is not to be reduced to a new form of a human relations movement;  
-but nor is it to be reduced to structural changes which are alleged to be the sole salvation.

Participation is  
-not the elimination of the trade unions or the trade union representatives;  
-but nor is it the organisation of a trade union guardianship over the workers.

Participation is

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(2) ACV report, quoted in the introduction.



-not only a question of a top structure;  
-but just as much of a basic structure.

Participation is

-not the incorporation of the workers in the system;  
-but nor is it the "revolution" ex nihilo! ...

Participation is

-not the elimination of the trade union struggle, of the  
"no", the "veto", "contestation" or the "strike";  
-but nor is it the declaration of the "veto", "contestation"  
or "strike" to be a regime or system.

"The demand for participation in our modern world is  
a general reaction against the general alienation which  
the workers have already been experiencing for a hundred  
years in their work!...

Participation is a movement which constantly seeks to  
valorise man in his responsibility ... even as far as the  
structures!

In this sense, participation is just as much a menta-  
lity, an attitude to life, a set of values.

This is not an easy process ... it calls for constant  
effort on the part of those concerned, even with the best  
accompanying structures. But it is a process of  
liberation of the worker ... and the trade union movement  
is precisely the instrument of this liberation!" (3)

7. Swords into ploughshares! We must apply this biblical  
image to the counter-arguments against participation.  
We must make arguments against into arguments for.

"In the employers' and financial world, participation  
is repeatedly contested on the pretext that the workers are

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(3) op.cit.

not ripe for participation. But how can they be prepared for it if they are never put in a position to exercise it ?" (4)

A hundred years of joint stock companies and nearly a hundred years of Taylorism must indeed mark deeply the mass of workers, while on the other hand they have known only fifty years' universal franchise, twenty years' full employment and higher school-leaving age.

Industrialisation, automation, thorough division of labour, Napoleonic organisation of the enterprise, the atmosphere of the hierarchical system, the limited perspective inherent in the work of an operator or office employee - the worker lives for the greater part of his life in a social "underground". He can exert no influence on his working conditions, he can develop no feeling for the goal and function of his work in the whole organisation of production, he can acquire no relationship to the work as form of self-expression.

The typical form of an authoritarian structure in modern industry fails to cater for the individual need for self-respect and self-confidence.

The problem is however not only the absence of development chances. The problem has a social and collective character : legally, he hires his labour to a joint stock company; hence, impotence and impossibility to change this situation, via participation in the decision-making in the enterprise. This cumulative effect has an influence, over a certain period, on the work satisfaction, on the value and meaning of the work". (5)

Thus, if we wish radically to reforge this argument

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(4) op. cit.

(5) De Swert G., op. cit.

against into an argument for, then we should have to go to the other extreme and postulate the self-responsibility of the workers' community of the enterprise. The term "workers' self-management" is somewhat misleadingly used for this. We shall revert to this point later. It will suffice to stress the fact here that this neither can nor may occur outright, in a turn through 180° from the present unilateral domination of the capital factor to a total domination of the labour factor. But all forms of participation, high or low, great or small, which move in this direction are liberating for the worker and fit into our trade union strategy.

A second counter-argument is of recent origin and is valid for the countries with a more or less capitalistic economy as well as those with a collectivist economy. It is strikingly reflected by the following remark by Prof. Galbraith on Belgian television. He replied to the question : "What is your view of the participation problem ?" as follows : "Entirely hopeless. I advise you not to take any further action on this reform ... The very nature of the organised, bureaucratic management of a big concern monopolises power in the hands of the people who share in the information : specialised technologists and managers. Both the "capitalist" (6) and the worker are excluded from this".

After such a remark, what is there still to be said about participation ?

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(6) For this part, Bernard Snoy writes in "Recherches Economiques de Louvain" (Dec. 1970) : "The ever growing interposition not only of the big limited company but also of the financial intermediaries between ownership of savings and their productive appropriation is acting increasingly as a screen to any power relationship proceeding from one to the other.

For its part, the power to decide the specific form which will be assumed by the accumulation of means of production seems to be concentrated more and more every day in the hands of the managers or, more generally, of the technostructures

The latter is all the more absolute insofar as the enterprise is in a position to engage in self-financing, i.e., to combine the functions of saving and investment in equivalent proportions, which is the dominant situation in the United States".

At the same time, this amounts to saying that the legal basis of the whole system of the limited company rests on nothing more than that !

We should point out first of all that this remark applies equally well to the whole of social and political life. The basic question is: "What then remains of the whole notion of democracy?" Our first reply is therefore a moral reaction: this may not happen ... in the name of democracy. We do not want to allow ourselves to be dominated by the technocrats, even not by the beneficent technocrats ... simply because it may not be. Furthermore, Prof. Galbraith makes a caricature of participation, presenting it as though it is a situation in which a trade union secretary simply walks into a Board of Directors from outside and starts discussing the policy to be followed with the managers. Moreover, the workers do not ask to be assimilated with the professional expert function of the management, but they wish to exert influence on the policy of the management for important and long-term decisions. We shall see how below. But the workers' participation must be conceived as an overall, dynamic process of many and diverse forms of participation in an upward direction, taking as point of departure a broad basis at the lowest level. The workers' participation in the enterprise must finally be regarded in the whole context of participation of the citizens in society.

A third argument against connects up with the two foregoing ones. As the workers' participation in the enterprise is either excluded by the capitalistic system, or is impossible from the point of view of the imperatives of a complex technology and organisation, or else is, allegedly, not desired by the workers, then - so the reasoning goes - "compensation" must be granted to the workers in leisure time and in the consumer society!

This reasoning must be turned around as well, for put thus it strongly resembles a flight from the problem and even a guilty flight! The problem of labour and of the labour system is not solved thereby. Furthermore, production

system and consumption system are one, and labour system and leisure time system are linked with each other. This is not to be denied. Consequently, the ills as well as the health of the one also affect the other, and the medicine for the one also serves for the other. If this is not so, then there would no calling-in-question of the consumer society.

Thus we come to a general conclusion: logic demands that those who defend democracy as a general principle or in its parliamentary form should therefore defend democracy in the enterprise in principle. The forms and conditions can be discussed subsequently.

8. "Participation in the enterprise thus implies a change, to a greater or lesser extent, of the orthodox structure of authority, in which decision-making has become the "prerogative" of management. Modern management theories also make no careful distinction between various forms of participation, for the simple reason that participation for them is simply a management technique like any other, which can act as a stimulus for the specific goal of the enterprise: organisational efficiency. For them participation is not a method of decision-making, but a number of techniques that are aimed at getting the workers to accept decisions that have already been taken. The form assumed by this participation all too often involves absolutely no decision-making and must be stigmatised as pseude-participation, the purpose of which is merely to create a feeling of participation via a technique aimed at convincing people.
9. Participation, on the other hand, whereby the workers have the possibility of influencing the decision-making, while the ultimate power of decision remains with the management is partial participation. Participation at the place of work is in most cases partial participation, and at the same time participation at the lower level: supervision of the daily activity at the place of work. On the other hand,

participation at the higher level points to decisions with respect to the running of the entire enterprise, decisions concerning investments, marketing, etc. Partial participation is possible at both management levels. There is yet another form of participation at the lower level : groups of workers, who themselves arrange their work, virtually not under the leadership of the management and who take their own decisions in connection with the daily work process. This form gives a complete participation : a process whereby each individual member of the decision-making body has the same power to determine the outcome of decisions. In the same way as partial participation, complete participation is possible at the higher as well as the lower management level, or at both levels.

10. Examples (in Great Britain, Norway and Yugoslavia) prove that it is possible, at least at the level of the daily work process, to change considerably the structure of power in the enterprise, so as to give the workers almost complete control over their work, and participation in a wide range of decision-making, even without any loss of productive efficiency - on the contrary.

A structure can be set up which, with the support of the trade unions, renders possible control in all fields that directly affect the world of labour : right to work, income guarantee, promotion, no dismissal without prior reclassification, employment in accordance with qualification, adjustment of the workshop to the people working there, respect for the health and safety conditions, checking of time and pace of work, elimination of differences in status between the various categories of workers.

In all fields of work arrangement and work environment, a worker must either exert supervision, if not partial participation, in respect of at least those decisions

which directly affect his own work, or must himself arrange, in a system of labour consultation, for the execution of the work, which we then call complete participation.

There is at present a widespread desire among very diverse categories of workers for such participation. There are not only empirical experiences. There are the reasons of labour dissatisfaction, which point in the same direction. And there is an indirect proof of this in the trend which strikes have taken.

11. This possibility of "low participation" is the nodal point for the reply to the question about the number of workers who may be expected, in the long term, to valorise the possibilities afforded in a democratised system. Labour consultation seems to us to be the appropriate form of "low participation" whereby the greatest number of workers can be directly attained. Furthermore, we are of the opinion that once participation is set up in the workshop, the process become self-sustaining, because the human qualities required for its successful operation, are precisely those which are developed by the participation process itself. People become fit for participation by participation.
12. In the absence of this primary practical school, of this vital practice ground, the introduction on a large scale of "high participation" will probably, at the very least, spontaneously trigger off a wide response among the workers. On the other hand, the ever greater demand for "low participation" suggests that more workers would ultimately participate actively in a democratised industrial system at a higher level than the majority of sceptics about industrial democracy commonly think. Some support for this can already be found in the increased participation such as can be observed in the economic and political institutions in Yugoslavia and Norway.

In this direction, we are also convinced that the participation process, installed at the workshop level, is an irreversible process.

"Low participation" will indeed form the training par excellence for participation in decision-making at the higher level. Experiences with decision-making at the lower level will make the workers realise the limitations of purely "low participation", will cause them to experience the fact that their participation is circumscribed, inter alia, in the juridical structure of the enterprise, which has still not recognised labour or the worker. "Low participation" must be linked with "high participation".

The enterprise, a social institution, cannot possibly continue to function as personal enrichment for the owners of capital or as private organisation ground for a management acting in an ever more autonomous way. The joint stock company must be converted, in a first stage, into an enterprise company, whereby the capital factor, now regarded as primary, will only be valorised as one of the factors to be recognised in the enterprise, and whereby the labour factor will acquire an initial right of legitimation and control over the management, leadership and power.

This high participation, this influencing at the high enterprise level, may be established in various proposable forms of "equilibrium" between labour and capital.

13. Whatever form it may assume, this high participation may not imply any strict co-management, positive, direct, in the leadership of the enterprise, but indeed co-suprevisation of the management, limitation of the right to dispose of the property. Indeed, it could not imply these things in a modern enterprise. In this connection, we are faced with the management's own development, legally and structurally recognised as the Board of Directors ("Bestuur" in Dutch, Directoire" in French, or "Vorstand" in German). In this discussion, indeed,



the advocates of participation and, a fortiori, of self-management, are often pitchforked into a caricatural form of direct democracy. It is indeed not feasible to allow all workers to pass judgment on each technical problem in the enterprise. But nor can one still defend the point of view that efficient business management presupposes rapid decision-making (by one man or a few people). The most important decisions in a large enterprise are already taken in an interdisciplinary process of long-term planning. This evolution therefore makes it quite possible to hive off the entrepreneur's function : the long-term decisions can be transferred, for example, to a Supervisory Board (participation) and the management (staff) will then operate within this proposed framework. What is indeed involved in this group of problems is : how the expert knowledge is applied, how control over the activity of the experts can be built in :

- at the place of work in a system of labour consultation;
- at the level of the large department via a departmental council;
- via the works council at the level of all workers employed in the enterprise;
- via a kind of supervisory board, in which all interests present in and around the big enterprise are placed in a balanced way.

In the framework of these levels, the management will need to exercise a well-defined policy, and will need to lay down responsibility therefor, from which the consequences can be drawn". (7)

#### 14. Diversity, degrees and evolutions in participation

Without entering into concrete formulae and without pronouncing an opinion on the various existing

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(7) De Swert G., op. cit.

national forms and institutions of participation within the enterprise, we must nevertheless emphatically postulate that in participation as well, diversity, degrees and evolutions are both desirable and necessary.

We have indeed already repeatedly referred to. Furthermore, we have emphatically developed value, need, connection and dynamics of "low participation" and "high participation" as well as of "partial" and "complete participation" in the extreme examples of labour consultation on the one hand and of a supervisory board - even of workers' self-management - on the other.

We should like to refer concisely here to a few other aspects of the general statement : diversity, degree and evolution are desirable and necessary.

There are various types of enterprises and thus there must also be various degrees and forms of participation. Although there is room for labour consultation in all enterprises, it will differ as to content and organisation in small and large enterprises, in enterprises that are strongly developed organisationally in the light of mass production or the delivery of mass services, in decentralised enterprises and in new "craft" enterprises, in government institutions and in public departments. A supervisory board juxtaposed with a board of directors (Vorstand) and in which representatives of labour interests have a seat alongside those of capital and of the general interest seems to be suitable only for large enterprises with, e.g., one thousand workers. On the other hand, a supervisory board is nevertheless necessary in a financial or industrial holding company ... but its composition will be broken down otherwise because the interests are different : for example, the general interest and the interest of all workers. And what about a supervisory board in a public enterprise ... here too there

must be one, but it will be different. The participation structures in small and medium-sized enterprises must be otherwise, not only because of their dimension, but often also because there still exist personal (property) relationships and corporate relationships which do not exist in a big enterprise. The enterprise that is beginning, newly incorporated and growing up must also have its own structures : recognition and protection. And what will be the high participation structures for the "workers" of the government departments ?

15. There would need to be works councils everywhere, but in order to be genuine participation organs, they would have to be based on the various dimensions which the enterprise assumes.

A large enterprise has in fact various dimensions, to which in each case a works council must correspond. There must be a works council at the level of the legal unit : enterprise, industrial or financial holding company. Within the same country, enterprises operate as legal units, in which enterprises are included as technical industrial units. At the European level, we speak then of a European company and of separate national fixed establishments. These are various dimensions, to which in each case a works council with its own task must correspond. But the same anxiety to set up participation bodies for the various dimensions of the enterprise is just as valid for the various internal organisational and operational basic structures of the large enterprise. We mean here that consultative bodies must exist there, e.g., at the level of the sections and departments : sectional councils and departmental councils, where the representatives of the workers concerned meet the head of section or departmental manager.

In this way, an organised contact is created almost obviously with the participation at the level of the

workshop. What we aim to achieve, in the large and medium-sized enterprises, is a pyramid of participation with a broad base and an apex. If this does not exist in an organised and structural way, then not much will come of a participation movement in the large and medium-sized enterprise. In this way, we hope to link permanently apex and base with each other, obtaining a movement in both directions, while the participation is developed organically, participation chances are created in accordance with the measure and interest of the various workers and the whole can be made into an instrument of democratic selection, indication and supervision within the workers' group itself. Quality will gain thereby !

We know that in the big steel concern "Hoesch Stahlwerke" in Dortmund, 52,000 workers are in principle involved each week in a downward and upward circuit in an information and participation process. While the "Vorstand" meets each Monday, the worker chairmen of the various works councils meet with the labour manager each Tuesday. On Wednesdays, the works councils of the concern hold a meeting and on Thursdays the various members of the works councils meet the "delegates" of their respective groups and sections : 1,200 in all. On Fridays there is consultation with the rank-and-file.

At first sight, this appears to be German organisational mania. From a comparison with what does not happen in comparably large firms in Belgium - which we know well, after all ! - we cannot but complain.

16. Participation in the enterprise, national planning and national economy must be interconnected. This may appear to be obvious, but nevertheless it calls for further explanation.

As the enterprise is a component of the national economy, there is incontestably a close link between the two. But there is no identification. Furthermore, we would not wish for identification. The census of the enterprises does not give the total of the national economy. The operating conditions, criteria and objectives of the one are not the same as for the other.

There is thus a problem of how both must affect each other. We should like to examine this from the point of view of participation.

Directly there is no relation between participation at the low level or participation of the "works council" type and the national economy. Indirectly, this influence may indeed be positive. A closer link with the national economy is already to be established in the presumption of forms of high participation by the workers in the large enterprises, in the industrial and financial holding companies and public enterprises. It would also be an important thing for the National Economy if the law on joint stock companies were to be replaced by an enterprise law with a dual team : "enterprise management" and a "supervisory board". In the latter, depending on whether it is a question of large enterprises or holding companies, a balanced and weighted representation would then be given to all the interests concerned : those providing capital, institutional investors, workers from the enterprise, trade union confederations acting in the interest of all workers, representation of the general (regional) interests.

Furthermore, it may be assumed that in such an enterprise structure the relationship with a democratic national planing body can be made easier than in the present system of large limited companies or capital holding companies.

But a problem also arises in another hypothesis of high but complete participation by the workers. We mean

the workers' self-management or the system whereby the primary responsibility for the enterprise is given to the workers' community. Stated as a general idea or as ultimate goal, we must in the long term follow this path and there are no reasons for anxiety about this, for we see in the long term no other alternative in order to save "free enterprise" ... unless one were to opt for the anonymous "technocracy" under the auspices of the limited company or else for the state-run enterprise, embedded in a centralistic state planning scheme. In the hypothesis of the "workers' self-management", a solution must also be given to the interplay and the incorporation of other justified interests : the trade unions acting for all workers, the regional interests, the national economic plan ... and even the capital interest, even if this should be "public" capital interest.

We thus come, quite naturally, to two conclusions : the first relates to free enterprise, the other to the position of the trade unions.

17. The salvation of free enterprise resides solely in the workers' participation. Conversely, there is also no valid alternative for the workers other than participation in the enterprise. Other alternatives are to be rejected :
- flight outside the enterprise;
  - the joint stock company, even if it were to pay high wages and be controlled from without by the trade union or the state;
  - the technocratically managed enterprise, even if the technocrats were to be "enlightened monarchs";
  - the nationalised enterprise raised to the status of system;
  - the state enterprise, included in the network of a centralistic and collectivistic state planning.

But the defenders of free enterprise, of free

initiative, of management, of healthy competition, of normal supply and demand relationships, of innovation, of creativity ... in a word, of all that is good in our enterprise-wise constructed economy, must be aware that they will only be able to save the enterprise if the workers can speak, de jure and de facto of "their" enterprise ! This can only happen in a bold process of low and high, partial and complete participation.

18. In any case, the trade unions must continue to play their own role and thus remain autonomous ... in the optimum structure and the optimum practice of workers' participation in their enterprise as well. The autonomy of the trade union movement must remain guaranteed, even in a system of "workers' self-management". The role of the trade union movement is primarily external and secondarily internal : in the first place, it will have to act as "stimulus", as "executor" of the new structures and attitudes, as guide, as teacher and trainer, as guarantor for the system ... and thus also as "controlâer" or "supervisor". An important field for trade union supervision is located here. The trade union movement will be involved in initiatives with respect to labour consultation, it will request certain guarantees at the time of works council elections, it will continue to stipulate collective agreements, it will continue to act ... to contest, it will be present in a minority position as "guarantor" and "supervisor" in a "supervisory board" and thus at the same time defend the interests of all workers and not only those of the local group ... it will create and settle conflicts !

This role is sometimes delicate and difficult. Suitable forms will have to be worked out ... but the trade unions must in any case remain themselves.

B. Trade union standpoint concerning the European Company

19. We have already explained in our introduction why we also wish to deal in this report with the proposal of the EEC Commission concerning the Statute for European limited companies. This is a concrete proposal, vis-à-vis which the European trade unions : the ECFTU and the EO/WCL, have published an almost unanimous standpoint.

In this report we must act on the assumption that the readers are familiar with the proposal of the EEC Commission, at least in its broad outlines and its general philosophy. It is mainly our intention here to add the trade union standpoint, so as to meet the demand for information as well as the demand for discussion and confrontation. In this connection, we shall base ourselves mainly on the statement of position by the EO/WCL of 11 March 1971. The ECFTU already did this previously on 19 October 1970.

20. General statement of position

It is encouraging to note that both organisations at the European level have to such a large extent reached a unanimous standpoint. The "Societas Europea" - S.E. - is a desirable thing for European unification and will indeed come about sooner or later. The proposal for a regulation on the subject, originating from the EEC Commission, offers us an opportunity to introduce an "enterprise law", which will definitely move away from the generally contested "joint stock company law" and to ensure that the "European workers", the European recognition of workers, the European workers' interests, the representation of the European workers' interests, European trade unionism and European collective agreements, find acceptance in the European enterprise.

Unity in the European trade union movement about a



step to be taken with respect to the development chances for the workers, by means of an S.E. in accordance with our ideas, will exert its influence at the political level and increase the chances of the acceptance of our theories at the political level.

The European organisations of trade unions may not now run the risk of giving our opponents an alibi, through lack of European unanimity, to limit as much as possible or even entirely exclude, at European level the representation of the workers in the S.E. and their influence on the policy bodies of the S.E. For these reasons, the European trade union organisations are seeking for as great a unanimity as possible.

The leading national trade unions, affiliated to the E.O. of the WCL, can state their agreement on the following points :

- the necessity for the enterprises to recognise the trade unions as spokesmen of the workers in the enterprise and to guarantee the free exercise of trade union rights within the enterprises;
- the necessity for granting the trade unions the right to negotiate collective agreements as well as enterprise agreements;
- the right for the trade unions to be consulted on all important economic decisions and in particular on those with consequences in the field of employment and working conditions;
- the necessity for informing the workers and their representatives, e.g., in the works council, honestly and in a suitable way;
- the necessity for granting the workers control rights in the light of various autonomous and structured forms of participation at all levels and under trade union guarantee;
- the necessity to humanise work, also under trade union

- guarantee, and taking as point of departure the everyday work milieux : office and workshop, even if this has implications for the labour structures now existing;
- the need for having a good works council;
  - the refusal in the present circumstances of co-management in the strict juridical sense by the workers; we mean by this the right to co-manage in a positive and juridical sense and in a direct way;
  - the idea of a form of workers' self-management as an ideal to be attained and as final prospect of an evolution, according to various stages and in the longer term.

21. Critical comments on the concrete proposals by the EEC Commission with respect to the "representatives of the workers in the S.E."

a. The European Works Council

The EO/WCL is obviously in favour of the setting-up of European Works Councils. There is a special reason for this : they are composed exclusively of representatives of the workers. The European Works Council can consequently genuinely represent the workers in the S.E.

As regards the draft of the European Works Council, we give below a number of marginal comments and proposals :

Concerning the field of application

Art. 100 provides that a European Works Council is only set up in an S.E. which has permanent establishments in more than one Member State. This implies that there would be no European Works Council in an S.E. with permanent establishments in only one country.

The EO/WCL can in no case agree with this, because

it is a discrimination and furthermore it is not in accordance with the European objective of the draft regulation.

Concerning the number of members of the European Works Council.

Provision would have to be made that each country where one or more permanent establishments exist may delegate at least one elected representative to the European Works Council. Furthermore, provision must be made for permission to add up the establishments in one country which have less than 200 workers, for the purpose of determining the number of representatives in the European Works Council.

Concerning the secrecy obligation

This may go too far, because the management may characterise anything and everything as "to be kept secret". The following would need to be added : "with the approval of the European Works Council". In case of contestation, the matter would then be transferred by the management to an appeal body "as provided in case of settlement of disputes".

Concerning the presence of a delegate of a trade union organisation as representative in one of the institutions of the S.E.

The EO/WCL deems it sufficient that one sixth of the members of the European Works Council ask for this. The majority of the European Works Council need not decide this point. If one sixth of the members so request, the matter is in any case important enough to admit the trade union delegate for an opinion.

Concerning the obligation of the European Works Council to inform the workers

Art. 118 - I is too general. Provision would have to be made expressly for at least one form of information and consultation, i.e., joint meetings with the general meeting of the national works councils (workers' delegates), whether or not supplemented by

a meeting with the management of the S.E. and the leaders of the permanent establishments. The law would need to provide that such a meeting should occur at least once a year. This appears important to the EO/WCL, from the organic, but also from the trade union and European point of view.

#### Concerning tasks and powers

Art. 119 defines the general powers of the European Works Council : "To promote the interests of the workers". In principle, this is possible because the European Works Council is composed exclusively of representatives of the workers. The European Works Council can conclude agreements with the enterprises. These are legally to be regarded as agreements bearing on internal regulations. The observance thereof can be enforced, if not by other means, via the disputes committee provided for in Art. 128. But it must be made clear that a collective agreement has priority over these agreements bearing on internal regulations.

#### Special powers :

- a) information (Art. 120.2 - Art. 121 - Art. 122), a right of approval (Art. 123) and a right of opinion (Art. 124 - Art. 125). We can agree with this as attainable in the present circumstances.
- b) to exercise supervision over the application of :
  - the existing legal provisions;
  - the collective agreements;
  - the enterprise's own agreements.

In general, the EO/WCL can agree with this, provided that the field of working conditions, concerning which collective agreements can be concluded, is defined in greater detail with the trade unions (Art. 146).

The special powers of the European Works Council go further in various aspects than is now the case in one or more national legislations.

b. Concerning the settlement of disputes.

"The disputes committee is composed of members who are appointed in equal parts by the European Works Council and by the management of the S.E., and an impartial chairman who is appointed in joint consultation by both parties" (Art. 128).

The EO/WCL is generally in agreement with this. It adds, however, that the European Works Council for its part would need to designate representatives, chosen on the recommendation of the representative trade unions (at European level). The intention is to promote European trade unionism per industrial branch by this means as well.

c. Representation of the workers in the supervisory board

The supervisory board is a general control board (Art. 73 + 78) for authorisation of acts of the management in specific cases (Art. 66.1) and for advice (Art. 73.2).

The EEC Commission proposes that the representation of the workers in the supervisory board should be arranged in a one-third proportion (Art. 137-1). The members of the national works councils elect the workers' representatives in the supervisory board (Art. 139-1).

The European trade union organisations ECFTU and EO/WCL propose, on the other hand, the following balanced structure : 1/3 representatives of the general meeting of shareholders; 1/3 representatives of the workers : both together elect the remaining 1/3. The latter provision is made in order to oblige the first two groups to reach agreement on the composition of the third 1/3. This balanced structure was conceived in such a way that :

- it could give confidence;
- it could work and reach decisions.

Another words, the establishment of the power to supervise comes about in a bipartite power relationship :  $1/3$  to  $1/3$ . The subsequent confidence is based on this. On the other hand, the exercise of the power is subsequently implemented by simple majority in a group, which is composed of three times  $1/3$ . By means of this formula, a normal operation of the supervisory board is ensured and the contrasts at the time of establishment of the power are more or less blurred by the execution.

The EO/WCL is altogether opposed to the formula  $1/3$  to  $2/3$ , proposed by the EEC Commission.

If one really has in mind not only the interests of the workers but also the interest of the enterprise, and thus not only the interest of those providing capital or of the joint stock company, then the supervisory board cannot be developed in such a way that the workers are organised unilaterally in the minority by the very structure of the institution. This is good neither for the workers nor for the enterprise. On the contrary, the EO/WCL interprets it as an attempt to integrate the power of labour, by a falsified participation formula, in the structures of European capitalism.

The draft of the EEC Commission expressly confers on the Management the task of "promoting the interests of the company and its staff" (Art. 70). If this is meant seriously, then this management must be placed structurally in such a position that it can cope with this twofold task. It so happens that the role and composition of the supervisory board is such that the superiority of one interest - the capital interest - is organised in the S.E. by the very structure of the Supervisory Board. How can even the best management be free vis-à-vis this structured pressure in order to perform its legal task (Art. 70).

The formula of a minority presence of the workers has existed for a long time in the "Conseil d'Administration" in France, as well as under the "minor co-management" formula in Germany. In this connection, there is general agreement - even outside the trade union movement - that this double example has yielded no results. On the other hand, the experiment of the so-called "major co-management", insofar as it is a question of a balanced structure in the supervisory board, is indeed positive in Germany, although it is not perfect and is not a final goal. This is confirmed by many scientific and parliamentary surveys in Germany.

Lastly, we should point to the lack of logic shown by the EEC Commission, when it foresees, for disputes between the European Works Council and the Management, an arbitration institution on the basis of a balanced structure (Art. 128), but on the other hand provides, for the relations a minority structure to the disadvantage of the workers (Art. 137).

Furthermore, the EO/WCL does not agree with Art. 139-6 in which it is provided that the list that receives the most votes and at least half of the votes cast shall win ! This method of appointing the worker members in the supervisory board oppresses the trade union minorities. It would amount to the introduction of a kind of closed-shop formula, which is altogether contrary to our European trade union traditions.

d. Arrangement of the working conditions

Not least in importance in the EEC proposal are Art. 146 and 147, in which provision is made, via collective agreements, for the possibility of arriving at an arrangement of working conditions "between the S.E. and the trade unions represented in its permanent establishments" (Art. 146). This is incontestably an

advance, especially as these collective agreements "are directly valid and compulsory for all workers of the S.E., who are members of the trade union which is party to a collective agreement" (Art. 147-1)

We have, however, already dealt with this subject in another section of this report.

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CONFERENCE ON INDUSTRY AND SOCIETY IN  
THE COMMUNITY

WORKING PARTY ON INDUSTRIAL DEVELOPMENT AND THE  
REDUCTION OF SOCIAL AND REGIONAL DISPARITIES

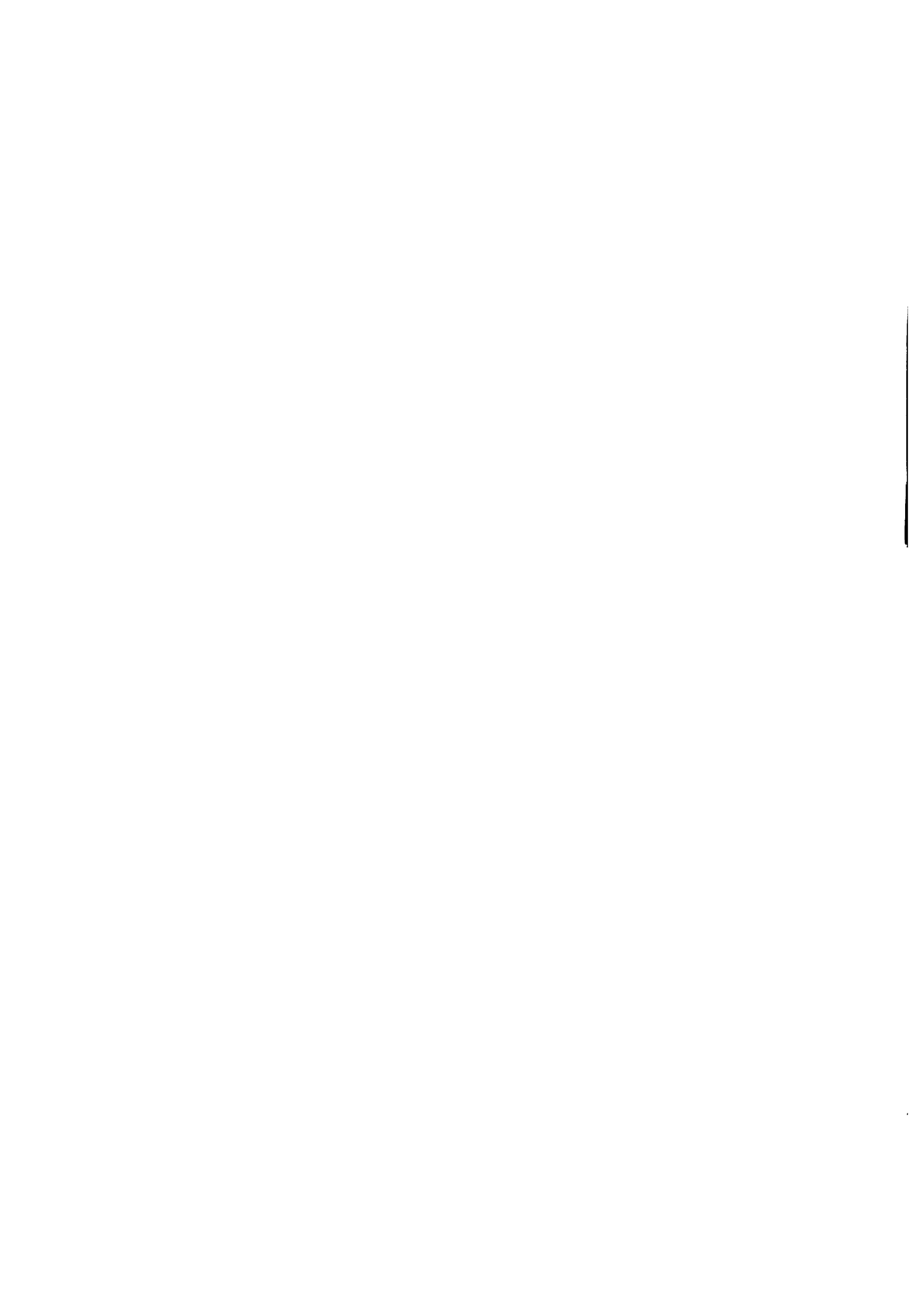
REPORT No. 3: THE FUNCTION AND POSITION OF  
INDIVIDUALS IN THE ENTERPRISE

**Rapporteur:** PROFESSOR MICHAEL P. FOGARTY (Economic and  
Social Research Institute, Dublin and  
Administrative Staff College, Henley.)



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FOREWORD

This is a free-floating conference, a brain-storming session rather than the precise technical examination of clear-cut alternatives. Accordingly I report in a less technical style than might be appropriate at a later stage of the discussion of the Community's social policy. What we have to decide is not whether some specific solution to a given problem is right or wrong, but which broad groups of problems about the function and position of individuals in the enterprise are most likely to deserve the attention of the Community institutions in the years ahead, and what types of issue will arise in each. We must not look unrealistically far ahead, but it is part of realism to recognise that Community policy may take years to elaborate and still more years to carry into practical effect, especially at this time when the major move from being Six to being Ten is still far from completed. The question is not which issues are relevant now in 1972, but which will be relevant towards 1980 and after. The three rapporteurs who share responsibility for Report No. 3 have agreed among themselves on subjects which are certainly likely to be relevant. But each of us is treating these subjects not only from his own angle, but with his own emphasis, and is free to refer to any others that he thinks appropriate. The Conference, of course, is not bound by the agenda which the rapporteurs have drawn up for themselves. Our business is simply to give the discussion a start.

I. THE CONDITIONS IN WHICH POLICIES WILL HAVE TO BE DEVELOPED AND SOLUTIONS SOUGHT.

I first underline four general conditions which are likely to influence the priority given to specific problems and the types of solution likely to be acceptable:-

- (i) The pressure for upward harmonisation.
- (ii) The rising demand for diversity and choice, and resistance to standardisation.
- (iii) The challenge to growth and shift towards quality of living.
- (iv) No lessening in social tension and conflicts.

I (i) The pressure for upward harmonisation

Pressure for upward harmonisation of the conditions of employment in the Ten can of course be taken for granted. For one of the two countries of which I am a national, Ireland, a main attraction of joining the Community is that to do so should end the tendency to look overwhelmingly to Britain for models for the next step in social policy. You may be sure that in studying the experience of the other Community countries it is not the most backward practice that we shall borrow. Trade unions, evidently, have a particular interest in upward harmonisation, but this process can already be seen at work in the worlds of the Civil Service and of public enquiries, of company law, of employers' organisations, and many others. To quote my own country again, I note for example that the Irish Commission on the Status of Women has been influenced by the facts about Community practice on the protection of the rights of employed mothers recorded in the draft Sullerot Report on The Employment of Women, and the Irish employers' organisations, as well as the unions, have sent expeditionary forces to study Community experience on workers' participation and Mitbestimmung.

I (ii): The rising demand for diversity and choice, and resistance to standardisation.

But upward harmonisation need and must not be taken to imply centralisation or standardisation. No doubt there will be particular cases where a general ruling for all Europe is appropriate. There will always have to be co-ordination, at least for example to the extent of ensuring that a worker who moves to a job in another Community country steps into a corresponding place in the hierarchy of pay, social security, and other rights. But a corresponding place is not necessarily an identical place, and in the area discussed in this report attempts to impose identity are likely to be strongly resisted for three reasons.

The first is the diversity of national systems of industrial relations and management and the strength of attachment to them. A most revealing example in recent years was the national debate in Britain, under both Labour and Conservative governments, which led up to the Conservatives' Industrial Relations Act of 1971. The case for changing the British industrial relations system in at least some of the directions envisaged by the Labour government and enacted by their Conservative successors was and is admitted on all sides, and by many trade union leaders among others. But the attempt to impose reform by law called forth, not a coolly logical analysis of the prospective gains and losses to each party - this sort of logic was often scarce even among academic industrial relations specialists, let alone in the trade unions - but a deep gut reaction whose origins lie a century and more in the past. The industrial relations systems of the Ten are in a number of ways moving towards one another, for example as plant bargaining and the role of the shop steward develop in certain continental countries, while Britain moves towards labour courts and legally

compulsory plant procedures. But anything that could rightly be called the standardisation of industrial relations systems is not for tomorrow nor even for 1980.

Secondly, in a sensitive area directly touching the ordinary citizen, such as industrial relations and the conditions of employment, there may well be resistance to dictation from outside the country, however excellent the intentions and however legal the authority of those who do it, on grounds of national traditions and national identity as such. Amid the crash of IRA bombs in Belfast, it is easy to miss something of even more long-term significance which was happening to the IRA and its political associate Sinn Fein in the Republic of Ireland before the trouble in the North began. A current of public support was beginning to run towards these radical nationalists out of a feeling that Ireland was going too far on the road to internationalising its trade and industry; towards encouraging foreign rather than native entrepreneurs, towards importing foreign styles of management and accepting the direction of multi-national corporations, and towards dismantling tariffs and other means of Irish control of the Irish economy. A vague, not always clearly specified, feeling was growing that the fight to maintain Ireland's identity was being lost on the business and employment front. This current has not been strong enough to stop Ireland's move towards the Community. But it could quickly become far stronger and more damaging if Ireland's self-determination were too sharply challenged in areas as sensitive as the conditions of work.

Thirdly, the growing diversity of situations and pace of change within as well as between sophisticated modern economies calls at both the national and the international level for polycentric rather than centralised management.



I once heard a management consultant describe the history of wage and salary systems in modern societies as beginning with hand-made, and, so to speak, going on to standardisation/<sup>and</sup>mass-production, and then on once more to hand-made, but on the basis of standard procedures and components. Pay systems today are not individual and hand-made in the sense of early industrial laissez-faire. There are national, regional, and occupational standards to observe and rules of good personnel practice. But within the framework of these rules and standards pay systems are, increasingly, tailor-made to the requirements of each employer and occupation through plant or enterprise bargaining or simply the decision of individual managements. The situations of individual enterprises differ, and it is part of management efficiency to adapt to this and to be free to do so.

To this is added the effect of the accelerating pace of economic and social change. The faster and the more widespread change becomes, the stronger becomes the case for polycentric, participative, "organic"\* methods of management, by contrast with the centralised, hierarchical, bureaucratic or "mechanistic" methods of business management and national planning appropriate in simpler and slower-moving situations.

A further reinforcement comes from the growing resistance of people in all countries and walks of life - shop stewards, students, and now increasingly those last bastions of the bureaucratic way of life, the middle managers - to standard and stereotyped rules for working and living imposed on them from outside and above, whether by employers, the state, or national union leaders. In the words of a slogan which I saw chalked across an Orange street in Belfast during the July 12th celebrations two years ago, "We are people".

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\* The term coined by T. Burns and G.M. Stalker in *The Management of Innovation*, Tavistock, 1961.

"Bureaucracy" has become a major term of abuse, and one of the most effective arguments used by the opponents of Europe against the institutions of the European Community.\*\*

None of this is to say that the day of central planning and upward harmonisation is past. The rule of Keynesian economics applies here as elsewhere; when all decisions are taken polycentrically, on the basis only of local and partial knowledge, it is easy for a decision system as a whole to spin out of control and to produce results which none of its participants want. The trade unionist may then find himself faced with unfair differentials, wildly rising prices, and redundancy with no arrangements to re-absorb the men displaced; the business man with unfair conditions of competition; and the national planner with runaway inflation and acute and unnecessary difficulties over exchange rates and the balance of payments. In future, as in the past, sound policies are likely to emerge from co-ordination, based on an overall view. But whereas at the end of the nineteenth century the accent in management and national planning began to shift from decentralisation towards central co-ordination, today the pendulum is swinging back. One of Marx's most successful predictions relates to this, and we are seeing it verified. In the world of work as in other spheres the role of central planners, in the socialist as well as the capitalist countries, is less and less to determine trends and more and more to register, promote, and co-ordinate those that emerge from polycentric decisions. It is less that of an engineer and more that of a gardener helping his hundred flowers to bloom.

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I cannot resist adding that one of the most effective visual reinforcements of this argument is the glass and concrete reincarnation of a mid-Victorian prison in which the European Commission's own offices are housed.

I (iii). The challenge to growth and shift towards quality of living.

Before the new policies which we in this Conference are beginning to debate can be fully worked out and applied, the real income per head of the peoples of the Ten may well have risen by another forty or fifty per cent. Even the poorest of the Ten, Ireland, is already by world standards rich. The richest of the Ten will by then be approaching the present level of income per head in the United States. Opposition to the race for still further growth is already obvious in all our countries, and as the seventies go on is likely to be greatly intensified. As a candidate for the British Parliament in 1964 and 1966 I found it a good selling point to present a graph showing how much Britain, under both Labour and Conservative governments, had lagged behind the EEC countries in overall growth. I am not so sure that this would be good politics today.

The challenge to growth comes from two sources. One is the feeling that in racing for growth in gross national product we have neglected questions about <sup>how</sup> the product can best be used; problems of the environment, social justice, culture, participation. The other is the findings about world population and resources of Jay Forrester's World Dynamics and the Club of Rome project at Massachusetts Institute of Technology. Given the level of world resources and the size and rate of growth of world population, the MIT investigators argue not only that there is no possibility of bringing the vast majority of those living in the developing countries up to the material standard of living enjoyed in the developed nations, but that the developed nations themselves are very likely to see a marked fall in their material standard of living in the next thirty or forty years.

For the problems about the individual in the enterprise

with which this report is concerned, this two-headed challenge has several implications. Upward harmonisation of the conditions of employment may come to mean, not simply that the countries which lead in, say, pay and fringe benefits race ahead while others are encouraged to catch up. It may become necessary in the interests of Europe and the world to say to such rich countries as Germany or France: "Stop! You have enough!" - or even to tell them, so far as their own material standard of living is concerned, to turn back. I would expect in these circumstances much stronger pressure to level up within as well as between countries, and much less readiness to let high income earners and the wealthy retain their existing differentials over the rest of the people, even in absolute terms and certainly not in percentages. Rising interest in the environment and the quality of life is likely to lead to a substantial re-distribution of finance and the work force between sectors of employment, with all the problems of training or re-training, and of taxation, incentives, and incomes policy to which this must give rise. Skilled and economical use of resources will be even more important in a world where resources are seen as limited than in one where they seem abundant. But it will be harder in a world where the accent is on the quality rather than the quantity of production to defeat claims to job enrichment or participation on the ground merely that they might reduce the physical quantity of output. And I would expect in that sort of world to see a great strengthening of the tendency which can already be seen developing to accent the social responsibilities of firms, which in turn will have implications for such things as the form of their accountability, the role of their chief executives, and the structure of their Boards. I share the

view of a number of my colleagues in management education that, just as such things as marketing, quantitative methods, and management by objectives were the management themes of the last generation, so the social responsibilities of business, in the broadest sense business ethics, will be the theme of the next.

I (iv) No lessening in social tension and conflicts

From all that I have said so far it follows that there is absolutely no reason to predict any lessening in social tension or conflicts in the years to come. Certainly, as at present, many problems will continue to be solved by peaceful discussion and agreement, and policies and institutions which are now controversial will come to be accepted as part of the common way of life. German employers have rightly insisted through many years that provisions of the Works Constitution Law of 1952 which they regard as admirable, progressive, and a good basis for relationships in the plant and office would in many other parts of Europe and the world be thought dangerous and revolutionary. It is illuminating, having noted this, to turn back to the very different tone of their predecessors when these same provisions were first enacted in the 1920's. But new problems will arise, in the area with which this report is concerned as elsewhere, and the background to their solution will continue at least as often as now to be one of conflict.

Upward harmonisation of the conditions of employment can lead to conflicts of three kinds. One is over its pace. What rate of advance can each country stand? The lines of battle here are not always what they seem to be. If I look once more at Ireland, I see a conflict over the rate of harmonisation between on the one side the Government and not quite so whole-heartedly, the employers and on the other the trade unions. But the people most vitally involved are not visible on the scene of battle at all, for they are gone on the boat as emigrants, or will do so when they tire of sitting on uneconomic farms waiting for the industrial job that never turns up because harmonisation, in this case principally with Britain, has been pushed too fast. There is also room for conflict over the strategy

of harmonisation. If standardisation is rejected and national traditions are to be observed or created, just what are the practices which each country is to borrow from its neighbours? And another ground for conflict again will be about how to go about harmonisation as growth slows down or even stops, given the very tricky issues arising from this to which I have just referred.

It is the same in other areas. The battle over the extent and subjects of workers' participation, and especially over sharing power at the top, is likely to be with us for a long time yet. It may acquire some interesting new angles as and when the middle managers, the cadres, the Leitende Angestellten get into the act. It is not easy to play Louis XVI once the cahiers of grievances are edited by the nobility and clergy as well as the Third Estate. I have seen it happen in a recent industrial enquiry where I was involved: managers joining the rank and file in revolt against their Board, and heads rolling at Board level as a result. And to see the conflicts that can and will arise over centralisation and decentralisation one has only to look at the history of incomes policy.

In some societies it might be possible, at least for a time, to suppress conflict over issues like these. At a time when prices in the advanced market economies were rising at about 3% a year, the governments of a group of Socialist countries dictated their price and incomes policies ruthlessly enough to keep the average rise in prices down to  $\frac{1}{2}\%$ : the rate of increase of real wages was the same for both groups of countries.\* The Japanese lifetime employment system provides a great deal of security and freedom for executives who manage to enter the charmed circle of one of the big corporations

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\* H. A. Turner and D. A. S. Jackson, On the Determination of the General Wage Level - A World Analysis, Economic Journal, December 1970. The period studied was 1956-1965.

though at the expense both of confining their own careers within a Berlin wall and of consigning less fortunate competitors to chaos and outer darkness. There could be a temptation to adopt Japanese or Soviet methods in the Europe of the ten, but I make the assumption that, because Europe is Europe, this will not happen. Organisation Man exists in Europe, but I do not see him, in Japanese or any other version, being increasingly accepted as the model for the future. Efforts will and should be made to damp conflicts on issues such as incomes policy. But whatever may happen towards the East, the Europe of the Ten is and will remain an open society, and in the last resort conflicts like these will be allowed to break into the open and take their course.

## II. SPECIFIC AREAS WHERE POLICIES ARE REQUIRED

Against the background of the four general conditions which I have just described, I take up now three areas in which new thinking and long-range policies are required. These are :-

- (i) The job and career in itself: flexibility, enrichment, security.
- (ii) The sharing of income and wealth.
- (iii) The sharing of power, including the role of the chief executive and the question of company objectives.

### II (i) The job and career in itself: flexibility, enrichment, security.

Of the three issues of security, flexibility, and job enrichment, security is particularly important in a number of ways, not all of them obvious. I shall therefore take it last, bringing into its discussion issues relevant to it which arise on the two other points.

To start with flexibility; one of the most obvious changes in recent years, and one likely to be carried much further in future, is the decline in many occupations, both manual and white-collar, of the tradition of a straightforward career in a single profession, based on an initial qualification plus experience on the job, and sometimes also on commitment to a single employer. Several factors have combined to bring this decline about.

One is the increased pace of technical progress, which makes it necessary even for people who follow a continuous career in a single field or with a single employer to re-train at intervals, and not only by learning on the job. The point is not merely that these people themselves have to re-train. It is that this re-training could equally be available to people switching from other employments. People already in a field, or already employed by an organisation, still have an advantage over those who come from outside. But part of their advantage is gone, and a further part is offset by the importance in today's conditions of thinking sideways and the fresh mind. It may be precisely the man with different experience who can learn fastest in a new situation and has the most positive contribution to make. It begins increasingly to appear neither efficient nor just to deny him the chance to make it. New occupations are in any case now continually arising and have to be manned from scratch, and here it is natural for the field to be open to all.

Another factor is an increase in job-changing in occupations where in the past both mobility and the risk of redundancy were small. Partly this occurs by people's own preference, especially among younger workers. By the mid-sixties a British survey showed that graduates tended to leave their first firm after an average of no more than four years in the case of men and two in that of women\*. But technical and commercial change, mergers and reorganisations, have also led to much more compulsory job-changing in mid-life than was usual in professional and managerial work even a few years ago.

A further factor has been the appearance in the labour market, at all levels of skill and responsibility, of a growing number of married women. A survey of recent British women graduates brings out that the great

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\* Graduate Appointments Register, Salary Survey, October 1966.



majority of them intend both to work through most of their lives, whether married or single, and even in the case of those most strongly committed to a career at a level matching their qualifications - to drop out altogether or at least down to part-time while they have young children.\*\* The lives of most women run to a different timetable from men's, and employers who wish to make effective and economic use of their services have to come to terms with this; with part-time, with careers that break and re-start, and with able staff who qualify for promotion at what in a man would seem a suspiciously late age.

Fourthly, a new appreciation is growing of the complexity of the problems of older workers on their way to retirement. On the one hand it is now clear that able people are far more likely to retain and develop their powers into old age than had been realised, especially if they are offered the chance to meet new challenges and are not left to sink into a rut. It is also clear that it is often a loss both to the older worker himself and to the community to cut his work activity short at a predetermined retiring age. But on the other hand experience and research also show, both for men and, especially, for women, that older workers at all levels of skill and responsibility often prefer to ease themselves out of work before standard retiring age, not necessarily or even normally by taking less skilled or responsible work, but by working at less pressure or for shorter hours. The case thus builds up both for more challenging work and more chance to continue beyond standard retiring age for those older workers who can use it and wish to use these opportunities, and for more chance for those who so choose to move towards at least partial retirement earlier.

Each of these factors has repercussions beyond its immediate area of application. If concessions are made to mothers because of their family responsibilities, fathers too are likely before long to make their claim, and rightly so. If part-time is available for older workers or for women, why not also for men who are students or have other non-work interests to which they wish to give a substantial part of their time? Examples of both these extensions

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\*\* M.P. Fogarty and R. & R. Rapoport, Sex, Career and Family, Allen & Unwin, 1971.

can already be quoted from several countries.

Taking all the factors together, it is clear that the timetable and occupational pattern of careers is likely in future to be very much more complex than in the past, and more flexibly adapted to individuals' situations. For employing organisations and trade unions this implies a need to press much harder and more deliberately than hitherto towards revising employment practices to accommodate the new more variegated pattern of careers. Apart from the sheer organisational complication of handling the new and more varied pattern, there are some tough industrial relations problems to be faced. More flexibility and opportunity for people who do not conform to traditional career patterns - for married women, for executives who must change jobs in mid-life, for low-skilled workers seeking training in skilled crafts - means less immediate security and opportunity for those who have been climbing straight up the traditional ladders. In the end, of course, greater flexibility brings better guarantees and greater security to all. The man who complains because the promotion to which he looked forward goes to an outsider too easily forgets that in coming years he may well become the outsider himself, and will need the same chance. **But it is not easy to be so philosophical in the short run.**

There are two further implications for public authorities or industry-wide agencies concerned with manpower planning. First, the rising flexibility of careers underlines the need to push on with present developments in active manpower policies, to anticipate the new trends and ensure that they can be handled without disruption to individuals or the economy, and to make training available in convenient units and on demand. Secondly, it seems likely that these authorities will have to provide much of the initiative for change in the employment practices of individual employing organisations, particularly

in the market sector . On these wider and longer-range aspects of manpower policy experience shows that directors and managers, busy with what appear more immediate problems, are inclined not to look far enough ahead to provide even for their own long-term interest, let alone that of the industry, profession, or economy as a whole . In the survey just mentioned of the job experience and prospects of highly-qualified women in Britain the investigators' dominant impression was not that on that type of issue the managers interviewed were either forward-looking or reactionary. It was that they had not thought about it at all.

Coming next to job enrichment, I raise two issues .

I remember, first, being struck many years ago by a diagram which showed that half of all American workers could do a job requiring at least a full secondary education, but only one in five of the jobs offered by a sample of industries required intelligence at this level. Today in Europe we have a rising tide of graduate and other highly qualified people, and considerable doubt whether all can be used in work matching their qualifications. There are several positive ways to approach this problem. Jobs can be re-designed to raise their quality all along the line; a general upgrading of the technological and managerial content of work, such as Europe's position in the world economy in any case requires. Action can be taken to expand services, particularly public services such as teaching, the social worker services, or the health services, which are big users of highly qualified staff and whose development in many countries has hitherto had to be held back. Hours can be shortened, regular or sabbatical leave increased and encouragement given to those who wish to move from full to part-time or into retirement. Whatever the mix of solutions chosen, it is important they they should be of this positive kind, in the interests not only of efficiency and personal satisfaction but of social stability. The past has left us some sharp warnings of the dangers of a massive population of people highly educated but under-employed.

Secondly, it is important for both efficiency and satisfaction to understand that the enrichment of jobs requires not only upgrading of the demands made by each job in itself but the incorporation of each job into a demanding group process; and an improvement not only in the technical and intellectual capacity of job holders to cope with their job but in their motivation to make the best of it, their achievement motivation. Thorsrud's experiments in Norway show how the re-design of working groups can help not only to raise current efficiency and work satisfaction but to touch off a group learning process which raises performance to continually higher levels by a chain reaction within the group itself. The success of this chain reaction is finally established, as Thorsrud has said, when it begins to produce results which the authors of the re-design could not themselves have planned or foreseen. The work on achievement motivation of McClelland and his followers shows how to give people an internal motivation not merely an external stimulus such as pay or an interesting job - to use their work situations to the best advantage: not exploiting or in a bad sense profiting from their jobs but using their opportunities they offer to the full.

Anyone who has worked in a number of organisations will be familiar with the difference between an organisation that is dynamic and one that is soggy. The director of a soggy organisation must drag or drive it. The director of a dynamic organisation rides high on a wave of initiative. Dynamism or soggyness is a result of the whole structure and functioning of the organisation, not of any one part of it alone. But an essential and in the most literal sense basic component of it is the dynamism or soggyness of individuals at all levels in their individual jobs and their immediate work groups. It is this rather than routine efficiency or even short-term job satisfaction which is the chief target of job enrichment.

The implications of this extend far beyond the individual firm or employing organisation. My colleague Richard Lynn has explored in several studies the relation between tension or anxiety and achievement motivation, and suggested how this can be related to national economic performance. In a rough and ready way one might set out the contrasting situations of two types of economy:-

A - The Motivated Economy

Strong, autonomous motivation of individuals and work groups to achieve.

Therefore

Ahead of the competition  
Profits and investment capacity good.  
High growth, little inflation, good balance of payments  
Government assists rather than harassed business

Therefore

Climate for enterprise improves still further : upward spiral

B - The Reactive Economy

Individuals and work groups react only under pressure and inducements.

Therefore

Always a step behind the competition  
Profits and investment capacity low.  
Low growth, high inflation, weak balance of payments  
Government hard-pressed; drives and harassed business

Therefore

Deteriorating climate for enterprise; downward spiral.

I leave it to readers to fit the names of organisations and countries to these cases.

Security, finally, has a number of aspects, not all visible on the surface. The cruder forms of insecurity are obvious enough, for example redundancy or arbitrary treatment by superiors. But there are also subtler forms of insecurity which may affect even those who are in no fear of losing their jobs or of crude discrimination. Flexibility of careers means more security for those who wish or have to switch their careers, but less for those who in its absence could have relied on climbing straight up a regular career ladder. Though bureaucracy can be in many ways unsatisfying to the bureaucrats, they at least know where they are in it. A net-

work system of management, where work groups and lines of responsibility shift continually and unpredictably, can be much more satisfying, but at the expense of greater insecurity. As always in human groups, it is likely that some who take the lead will enjoy the satisfactions while others, more passive, experience chiefly the insecurity. A wrong choice or ineffective use of a system of management means insecurity for those who have to work under it; perhaps in the sense of losing their jobs, however humanely dismissals may be handled, but certainly also in the sense of confusion and uncertainty about what is supposed to be going on.

For some groups of workers insecurity arises before they come near the job at all. The question is, precisely, whether they are to be allowed to do so. Are women, especially married women, to be allowed free access to jobs; actual and effective access, bearing in mind that legal and constitutional rights are one thing and the practice of business and public organisations is another? What opportunities are to be left to older workers who seek promotion, or wish to enter a new craft or profession, or simply to change firms: how absolute is the rule of promotion from within? How equal are to be the opportunities for immigrants, or for late developers who did not acquire the right piece of paper from the right institution at the right age? For these people insecurity means to be cast into the outer darkness, or to be in danger of being so at the first sign of recession, while the privileged feast within behind closed doors. Their problem has always existed, is aggravated in the down-swing of employment cycles, and is likely to be intensified in future as awareness of

the dangers of unlimited expansion of production grows.

Some of the cruder problems of insecurity are being more and more effectively tackled, and this will no doubt continue in future; for example by stronger protection against arbitrary dismissal or against discriminatory employment practices. But when all the problems of insecurity are taken together, there is no reason to suppose that they will be less acute in future than in the past. Specific problems of insecurity need specific solutions, for example measures to improve training opportunities and the working of the labour market for displaced workers of all grades, or measures, legislative or other, to guarantee more equal opportunity to women or older workers. I stress particularly, however, the more general point that, as in the past, the best safeguard against insecurity will continue to lie in powerful and effective in trade unions and professional associations, and in effective machinery at the level of enterprises, industries or professions, and government through which unions and professional associations can act.

This is not purely a trade union argument.

Looking at the insecurities created by network or "organic" systems of management, certain investigators have concluded that the answer is to emphasise the individual's "professional base". He has a place in the network of management, but it is an ever-changing one on which he cannot rely. But he also, especially if he is a qualified specialist, has a more lasting and in any case an alternative base in association with others who share his line of

work, whatever their place in the management network. The suggestion is that it will be even more necessary in future than in the past to emphasise and use this alternative base. Developed purely from a managerial point of view, this argument underlines the traditional and correct view of trade unions that the first and best answer to insecurity is not to put all one's eggs in one basket, but to acquire through the union or professional association a separate and independent base of power and influence, to be used either in the employing organisation or ~~out~~ of it, for instance to promote legislation. A significant change today is that this argument is increasingly seen as applying to the manager, scientist, and technologist as well as to the rank and file, and the reality of this is underlined by the rapid recent progress in one country after another of managerial and professional unions.

It is important that the role of the union or professional association should be wide enough to deal with all the main causes of insecurity. I studied recently the background to the six months' stoppage of the Irish banks in 1970, which provided Ireland with one of its few world records. It emerged that one factor contributing to the explosive atmosphere before this stoppage - I will not say the most important factor, but certainly a contributory one - was the failure of the powerful, militant, and in other respects efficient Irish Bank Officials' Association to come to grips with the business and managerial revolution going on in the banks and the impact of this on its members' psychological as well as material security.



But it is important also that the "professional base" should not be stressed to the exclusion of other channels of action. This is particularly true of those for whom insecurity arises not so much on or out of the job as from being excluded from it. Unions and professional associations tend to be very much more effective in looking after the interests of those already within the charmed circle than of those looking in from outside. There will be a major battle to be fought in coming years over how to deal with problems of apparent over-supply of labour such as those already arising from the rising tide of education, or which may arise as the case against racing for further growth begins to bite. Are they to be solved by re-excluding certain categories, such as older men, immigrants, or married women from the opportunity to work, or by more positive measures? These more positive measures could as I have said include expanding work opportunity or sharing it through shorter hours and longer leave and other work breaks. They will need also to include revisions in, for example, the system of social security and family allowances, so as to blunt the argument that the standard of living of families can be upheld only by giving absolute priority for full-time and over-time to their chief earners.

The trade union movement will certainly have its part to play in this battle. But I do not believe, on their record in any country of the Ten, that the unions alone can be relied on to put the case of the excluded or potentially excluded categories with the force that is required. Nor, of course, can one rely fully on management. For this is once again the sort of area where managers, preoccupied with keeping their organisations going here and now rather than with long-term plans the needs of the economy as a

whole, or the welfare of particular interest groups, tend to play it by ear and avoid positions of principle, and actions not clearly and immediately necessary.

## II. (ii) The Sharing of Income and Wealth

The starting point under this heading is the simple observation that no modern state can carry out fully its responsibility for guiding the economy unless it has a policy for incomes and wealth. Whether it calls this an incomes policy or not is a matter of political taste. The present Government of Britain refuses to have an incomes policy. But this does not in the least prevent it from having a powerful policy for incomes, whose weight negotiators in a number of fields have felt.

Moreover, policy for incomes and wealth cannot be confined to measures of redistribution through taxes or social security, leaving the initial distribution of income and capital to market forces alone. Market forces will produce some distribution and rate of growth of incomes and wealth, but which distribution they produce depends on the parameters within which the market is made to operate. To understand why differentials in earnings between different industries, firms, and occupations are what they are, and why earnings change as they do, it is necessary to look not only at broad movements in the national economy or in supply and demand in particular labour markets but at such things as :-

- the limits set to market forces by custom, practice , and expectations about differentials and about the fair relation between pay for different occupations and sectors, and the margins of tolerance accepted around these limits.
- the limits set by oligopoly or by deliberate control of either product or labour markets.
- the assumptions built into negotiating practice in particular firms or sectors, for example about the negotiation and operation of incentive schemes. Given a knowledge of these, a current British study shows, it is possible to forecast the degree of wage drift in a firm or sector rather precisely.
- current expectations about price and pay increases. In recent experience it has proved less easy than in the past to predict the rate of increase of salaries and wages simply from a knowledge of demand and supply in the labour market, or of these together with the movement of prices. These factors explain part of the increase, but a substantial part remains to be explained in other ways.

One cannot simply kick the market in the teeth. Once certain limits, varying from country to country, are reached the forces of supply and demand break through. But these limits are wide, and there is a choice to be made within them. For a given economy or firm no one pattern of pay or degree of inequality in it is likely to be uniquely associated with competitive survival. It is for policy-makers to choose, with a wide degree of freedom, and from the point of view either of efficiency or of social responsibility, whether to have a relatively flat or steep gradient of differentials and relatively wide or narrow margins between different occupations and industries; whether to encourage or discourage the use of piece-work and incentives; or what rate of wage and salary inflation to tolerate.

For some purposes the relevant policy-makers will be those at the level of the firm or industry. But many problems in this area can be solved only at the level of each economy as a whole, or indeed, as where the balance of payments becomes part of the problem, at that of Europe as a whole or of the world. The economics of Keynes and Pigou apply here as elsewhere. Uncoordinated pay decisions can and do spin upwards into inflation. They can fan out into a pattern of differentials which, as has been shown in a recent enquiry in Ireland,\* people in all social classes regard as inequitable and would have rejected had they had the choice. In a case like this it may be easier to set out to change the system as a whole than to leave it to individual employers and unions to adjust case by case; for the employer who changes differentials on his own has to face the odium of disfavouring at least some of his staff compared to similarly qualified people elsewhere. The trade-offs needed to win support for large-scale reform of pay systems may well include items, for example changes in taxes or social security, which are outside the control of ordinary negotiators altogether. Knowledge which might encourage action by individual industries or enterprises, for instance about productivity bargaining or the side-effects of payment by results, often circulates less fast from firm to firm than a country's or industry's situation requires, and action at national or industry level may be needed to speed its circulation up.

Widely contrasting views about incomes policy are held within as well as between the countries of Europe, and it is neither likely nor desirable, seeing the variety of national problems and traditions, that uniform policies will be established

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\* H. Behrend, A. Knowles, and J. Davies, Views on Pay Increases (two papers), Economic and Social Research Institute, 1970.

among the Ten. But, as I have said, no country can avoid having some policy for incomes and wealth - I reform to wealth on a moment - and this policy cannot be kept in narrow limits. One of the lessons of incomes policies to date is that it neither useful nor even practicable to separate, for example, policy against wage inflation from policies to deal with low pay, prices, unfair differentials, unemployment or the position of pensioners. I have already suggested, to be still more the lesson of the future, as and when growth slows down, and there is no longer an expanding cake from which everyone can claim his extra slice without depriving others of theirs.

Over and above these considerations about individual countries, the incomes policy of each country affects its relations with its neighbours. It is hard to conceive how a European monetary and fiscal union could work successfully without the help of coordinated - not, as I have just insisted, identical - policies for incomes and wealth in each of the Ten. One of the major tasks of the European institutions is to help to bring this coordinated network of policies for incomes and wealth into existence, in a field still in many ways chaotic and experimental. I return below, under the heading of the sharing of power, to the practical problems of bargaining an incomes policy into being and seeing that it is effectively enforced.

A policy for incomes, if it is to be effective, must include a policy for wealth. It has become increasingly clear in the last few years that in today's conditions no pattern of incomes is likely to be acceptable for more than a short time unless it is

associated with an acceptable pattern for the ownership of capital, and especially of the equity capital of business, with its voting rights and its ultimate and unlimited claim on profits.

Till a few years ago a large part of any discussion about the wider ownership of capital, and especially about employee share ownership, was likely to be concerned on the one hand with ways and means and on the other with whether there was any demand for policies of this kind at all. Choosing the right scheme to suit each case does still, of course, remain important, but there is no longer any question that practicable schemes are available. They include single-firm schemes and national schemes, traditional schemes to promote ownership or (as with British Savings Certificates) long-term savings through state channels, and more novel and variegated schemes such as, in Germany, the DM 624 Law and a variety of plans set up by collective bargaining, or in France the decree of 17th August 1967 on employee participation in reinvested profits. A powerful armoury of schemes exists, and there is today no longer any doubt about the demand for them. At one stage the pressure for wealth-sharing plans came largely from employers and the political centre and Right, and even from these quarters received only minority support. Labour movements were more likely to be concerned with the taxation or nationalisation of wealth, not with sharing it directly among the workers. But today support from employers in several countries has increased sharply and a growing number of trade unions and political labour movements have become actively interested in direct sharing. The British Labour Party, hitherto one of the most reluctant in this respect,

is now examining schemes of the type put forward some time ago by the trade unions in Germany.

The motives of the various groups interested in policies for wealth of course differ. But in a general way the driving force has been recognition of two facts about the way in which modern economies operate. One is the speed at which capital needs to accumulate in them, the massive size of the accumulation, and its effect on the distribution of incomes as well as wealth. The problem of the distribution of wealth is not simply an inheritance from the past, to be disposed of at leisure. It is continually building up, and must be dealt with as it arises. Secondly, there is the social nature of much of this accumulation. A large part of it represents, not personal abstinence giving rise to a clear personal claim to ownership by individual investors, but an allocation by corporate executives of corporate funds, derived from taxes or (what in oligopolistic conditions is much the same thing) price margins levied on the people as a whole, and from the efficiency of a corporation's whole work force. Given these facts, it has become more clearly understood that it is not possible to arrive at a socially accepted distribution of personal resources, and so at social peace, simply by bargaining over income or taxing past accumulations of wealth. There must be policies for the current accumulation of wealth as well. But what sort of policies are these to be? The questions to be answered over the next few years are of four kinds.

(a) What for ? Two broad purposes can be distinguished; to improve the distribution of wealth, including familiarising people with the advantages and problems of holding capital; and to give them the control that goes with ownership, especially a share in the control of business by way of employee shareholding. Is the purpose of employee shareholding to distribute wealth or to obtain control? The practical implications are very different. A small investor, planning the optimum use of his personal resources, will usually be advised to spread his interests. He will in any case want to keep them flexible, and to switch investments as his advisers indicate; and usually he will prefer to act as an individual, or at most as a member of a voluntary club. If on the other hand the purpose of employee shareholding is to build up in employees' hands a block of shares large and concentrated enough to obtain a significant share in control, or at least to focus employees' attention strongly on the profitability of their own firm, it is likely to be necessary to limit employees' freedom to dispose of their shares, and perhaps to focus their voting rights through a trust or other institution. My own judgment would be that a share for employees in control, and an active interest on their part in their firm, can be obtained at least as well and probably better by other means. The primary objective of employee shareholding as of other policies for wealth should therefore be to optimise the distribution of wealth, not only by multiplying small investors but by encouraging them and putting them in a position to spread their interests as effective small investors should.



(b) For whom? It would clearly be unjust if employees in profit-making business, and especially in sectors where there is heavy reinvestment of profits, received over and above their pay a share in capital such as would not be available to the staff of public and other non-profit services. The question here is of ways and means. Is the answer to transfer part of the capital available for sharing among the employees of profit-making business to a trust for the non-profit sector? Or to issue shares or capital certificates against the self-invested income of those public concerns which have any? Or are there other alternatives?

(c) Individual or collective? Policies for the wider ownership of capital will always be concerned largely with encouraging individual ownership, for example of houses or personal savings. But often there is a choice between promoting individual, cooperative, or fully collective ownership. So far as work-based property is concerned, this arises especially over the ownership of pension funds and of companies' capital. Pension funds can be controlled by employers, by an independent trust, by a fund's participants, cooperatively / or under collective bargaining. They can incorporate varying degrees of individual choice over contributions and benefits. They can simply pay pensions, keeping any underlying capital assets in the hands of the fund; or they can turn over part or (as in the scheme to which I belong myself) all the assets underlying a pension to the pensioner himself. Companies' capital transferred to the ownership of small investors can be put at their individual disposal or, whether or not registered in individuals' names, can be held and administered through a trust fund. A number of trade union movements have already made it clear that in the case of companies' capital they prefer transfer to a national trust fund - or more than one fund, to avoid monopoly - rather than to personal ownership.

If and in so far as companies' capital does become transferred to personal ownership, the further question arises: how fast is it safe to move towards completely free personal ownership, bearing in mind the need to educate new holders of investment and to avoid the dispersal of capital?

(d) How far and how fast? In the past, policies for a more even distribution of the ownership of capital, especially companies' equity capital, operated on a modest and marginal scale. With the new and more powerful tools available today, for example the technique used in the French decree of 17th August 1967 - perhaps combined with the British Liberal Party's proposal to require companies to buy up and transfer to employees a small percentage of their issued capital each year - it would be possible within a generation to convert all large and established businesses into something close to Yugoslav communes, or, if it were preferred to leave small investors free to invest where they like and to spread their interests, at least to make them by far the most important element in the capital market.

There need be no reason to fear that a shift in the capital market towards the small investor will lead to a shortage of capital. A very substantial part of the saving credited to small investors will continue to be institutional, and could well turn out to be not merely maintained but increased. One classic and, to the investor, particularly attractive form of small saving is contributions to funded pension schemes. It can be shown that this source of capital by itself is capable of enough expansion not merely to supply the capital market but to over-supply it. There is no reason to suppose that crediting the value of ploughed-back business profits

to small owners will reduce their volume, and there is some evidence both from classic types of small ownership, for example in farming or shopkeeping, and from Yugoslav communes that it might lead to a demand to increase both profits and investment further. Nor need a shift from highly concentrated to dispersed ownership prejudice the continuation of a market economy, whether in a capitalist or, as in the Yugoslav case, a socialist form. I treat the Yugoslav case as one of widely dispersed ownership since, though the assets of a Yugoslav enterprise remain social property, the right to the profits arising from them is transferred by law to the members of the enterprise.

There remains the question: given that a revolution in the balance between concentrated and dispersed ownership is now possible, how far down that road do we in fact wish to go? If the answer is that we wish to go a long distance that way, other more technical questions arise about the way to operate a capital market in which the small investor predominates. What types of institution, for example, will then be needed to ensure that the shareholder's point of view is effectively brought home to managements, seeing that the individual small shareholder is unlikely to be able to bring influence to bear except through disposing of his shares on the market? How can stock markets be better organised to meet the needs of the small investor? At the level of Europe as a whole, questions will arise about how to deal in the case of companies operating internationally, or of "European" companies, with differing national rules about the dispersal of ownership. Harmonisation, or at least coordination, of these rules is of marginal

importance so long as the impact of the rules themselves is marginal. The impact that I am envisaging here could be very substantial indeed. But the first question is the crucial one. We can have a revolution in the ownership of capital: do we want it? My own answer would be decisively "yes".

Whatever the course chosen, it is clear that the profit and investment plans and policies of enterprises will increasingly pass out of the exclusive responsibility of owners and directors and into the area of bargaining and political decision, whether at the level of the enterprise itself, of individual countries, or of Europe as a whole. There is a case for recognising this by moving from traditional profit and loss accounting, in which profit is treated as a category apart and other types of income - wages, salaries, contributions to taxation or community enterprises - as costs, to net value added accounting in which all these categories appear as shares in an enterprise's net income after deduction of payments to outside suppliers of materials, equipment, and services, and all <sup>had</sup> to be planned for and bargained over on an equal footing.

II (iii). The sharing of power including the role of the chief executive and the question of company objectives.

I set out here from the conviction that the four general conditions with which I began this report point severally and collectively to two trends. One is towards a further growth of participation by employees at all levels in controlling the conditions and decisions under which they work, The other is towards basing participation not simply on consultation but on a realistic recognition, use, and institutionalisation of power. The rising

demand for diversity and choice and resistance to standardisation and bureaucracy obviously points to the further growth of participation. So does the rising accent on the quality and especially the human quality of living, including the right to responsibility and participation. People are as I have said likely to be less and less ready to be put off by the argument that material efficiency must come first, and that participation should be resisted because it might interfere with it. From the fact that social tension and conflicts are unlikely to diminish it follows that the accent of participation is likely in future to be at least as heavily as now, and very possibly more heavily, on sharing power by way of bargaining and legal regulation. And the pressure for upward harmonisation is likely to imply, as it has already done in drafting the constitution of the "European" company, that innovations and advances in participation in any one country are likely to be taken up rather quickly elsewhere.

Before I come to particular areas where further development of participation is liked to be needed, I make a general point. One of the lessons of the past which is likely to apply still more strongly in future is that it is a mistake to treat forms and problems of participation separately from each other or to argue in terms of either-or. It is a question of system-building, of designing, in the admirable German phrase, the "works constitution" as a whole, and of finding room within the works constitution for elements which could be contradictory, but if handled rightly are complementary. It is not a case of national or industry-wide bargaining or plant

bargaining; as I have already argued, we must have both. It is not a case of voluntary or statutory procedures. One may argue about the balance between them, but it is increasingly clear that here too we must have both. It is not a case of representation on the board of directors or through a works council or through shop stewards and plant bargaining, nor of choosing whether to have board representatives from within an enterprise or from outside. As I argued in my study of German company law and co-determination, Company and Corporation - One Law ? , what has made the German systems of works representation so effective is the multiplicity and interweaving of the channels of representation used in them, not any one element alone. In the early years of co-determination in Germany it appeared that this was instinctively if not always clearly grasped by rank and file workers, who cut through legalistic distinctions and tended to attach the label Mitbestimmung to the network as a whole.

Nor, again, is it a question of loyalty to the enterprise or to the union, whether this be raised from the angle of the firm worried about union intervention or of union officials worried about overweening works conveners. What experience and research indicate is that it is precisely those workers who are longest and most actively concerned with works representation who tend to be outstanding for their loyalty both to the union and to the enterprise. Nor, finally, is it a question of peaceful collaboration or contestation. Collaboration is unlikely to be whole-hearted and confident unless it rests on the foundation of mutually recognised

power. But, equally, a power struggle and relationship which does not lead into peaceful collaboration to solve mutually interesting problems is sterile and destructive.

It is useful to think of the areas of power - sharing which will need attention over the next few years in two main blocks. One is shop-floor and enterprise participation, including control over "economic" decisions at board and lower levels, and related questions about company objectives, the role of chief executives, and managerial unionism. The other is vertical and horizontal integration: the link between participation at lower and higher levels in an enterprise or between the enterprise's various units: between <sup>participation in</sup> a holding company, national or multi-national, and its subsidiary enterprises; or between bargaining and other participative arrangements at the level of companies and enterprises on one side and nation-wide arrangements on the other, including bargaining over national incomes policy.

(A) Shop Floor and Enterprise Participation: Control and the Executive Manager.

In thinking about future trends in shop floor and enterprise participation it is useful to distinguish between a large relatively uncontroversial area, where there are established national customs, a mild convergence between them, and a steady trickle of evolutionary improvements, and a ring of surrounding issues which are either unsettled or strongly disputed.

Till a few years ago there was a sharp distinction between the systems of representation at this level in Britain and Ireland on the one hand and the Six on the other, aggravated on the Anglo-Irish side by a Channel fog of ignorance. The Anglo-Irish system rested overwhelmingly on collective agreement in matters of procedure as well as substance, and on representation through the union - in Britain notably through shop stewards, in Ireland still with the accent on the union official - rather than through works councils and similar bodies. The activities of such works councils as existed were usually in principle consultative, and kept clearly distinct from the exertion of power, the business of union negotiators. There was little interest in Board representation. The character of the Anglo-Irish industrial relations system was overwhelmingly voluntary. Statutory authority was brought in only to fill gaps, for example to fix wages in weakly organised trades, and to promote and encourage rather than to regulate. The role of labour tribunals and statutory enquiries was strictly limited. White-collar workers tended to be unionised in the public sector, but very little in the private sector; in the case of managerial grades, scarcely at all. The industrial relations systems of the Six differed considerably from one another, for example as regards the basis of trade union organisation, the role of the union in the plant or the interest shown in different countries in employee representation at Board level, but tended as a group to differ still more in all these respects from the systems in Britain and Ireland. On both sides of the channel there was a growing interest in individual motivation at work, the design of work groups, and generally in human relations at work. But this demand was <sup>often</sup> along side and sometimes in competition with official representation through unions and works councils rather than



geared in with it.

Today, as I noted earlier, there is a marked convergence all along the line. On the side of the Six there is a new accent on the role of the union in the plant, and more reluctance to let the union disappear from view behind statutory works councils and similar machinery. Works councils are not being re-emphasised; rather the contrary. But there has been a move in the direction of two-channel representation such as has been usual in Britain, with a works council and plant-level union negotiating machinery operating side by side. In Britain at the same time there has been a move in the opposite direction, a growing feeling both in the labour movements and among industrial relations specialists that a single channel is best; or, if it is thought convenient to keep two channels, that at least they should be operated by a single body of people, the shop stewards who are the workers' real and effective representatives. On both sides of the Channel an interest is growing in building a link, on lines already developed in Thorsrud's experiments in Norway, between trade union or works council representation and the movement for autonomous working groups.

Britain has been given in the Industrial Relations Act of 1971 a much stiffer legal framework for industrial relations than in the past. It has acquired a set of labour courts, and the Act of 1971 permits, though it does not require, the imposition on firms and industries of statutory negotiating and consultative procedures. There is a new interest on the political Left, not necessarily in Board representation, but certainly in stronger representation of workers at the points at all levels at which key management decisions are taken. There are increasingly strong white-collar unions. The fog of cross-Channel ignorance is

rolling back, and not only the trade unions but bodies such as the Institute of Personal Management - notably in its 1971 report on Workers' Participation in Western Europe - at least take the trouble to find out what sort of procedures operate beyond the sea .

The degree of convergence should not be exaggerated. The industrial relations systems of the various countries of Europe keep their own characteristics, and, as I have already argued, will continue to do so. Nevertheless convergence between them is going on, and will go further. So too will evolutionary changes in them, such as the growing interest in autonomous work groups or the recent revision in a number of countries of statutory rules about works councils and workers' right to information. In areas like these the problem for the Community's institutions is simply to help evolutionary processes forward, not to impose a direction on them.

Meantime, however, two other areas stand out as centres of controversy where common assumptions have still to be established. One, with which I deal under the next heading, is the relation between shop floor representation plus autonomous work groups - "shop floor power" - and representation at the higher levels of the multi-unit or international enterprise, as well as of the industry, the national economy, or Europe as a whole. The second is the question of control over the general policies and "economic" decisions of directors and managers, whether on the

Board or at lower levels, along with related issues about the role of boards, chief executives, and the senior executives immediately below them.

The second issue in the second case is the relation to the executive manager, and especially to the chief executive and entrepreneur, of control by any of the interests involved in a firm, including shareholders. One should not forget the admirable words of the Jenkins Committee on British company law, discussing proposals for shareholder democracy:-

"It may be theoretically desirable that shareholders should have a more effective voice in the management of their company's business . . . . As against this, no company's affairs can be managed properly, or indeed managed at all, otherwise than through a board of directors with a reasonably free hand to do what they think best in the interests of the company."

(Report of the Company Law Committee, Cmnd. 1949, HMSO 1962, par. 14)

It was far from the Jenkins Committee's intention to deprive shareholders of control over their companies; most of the Committee's report was concerned with increasing it. But in shareholders' own interests the form of their control must be reconciled with the freedom of manoeuvre for directors and executives on which the prosperity of the company and so of its shareholders depends. Not even from the side of shareholders is it tolerable to have committee government or interference with entrepreneurs' and executives' discretion by people not properly in touch with an enterprise's daily life.

Clearly we want such things as executive efficiency, entrepreneurial dynamism, the unified direction of each enterprise, and trade unions independent of management. Most of us, whether liberal or socialist, also want an effective market economy, due attention to profit, and a system of decentralised (not necessarily private) ownership in which the rights and social role of decentralised property are respected. There is by now enough experience to show that there is no need to rely for these things solely on the traditional type of organisation in which control over an enterprise's general, and especially its "economic" policy lies exclusively with private or State capitalists and with managers. [There is a genuine argument as to whether the German coal and steel industries have served the consumer, the shareholder, and employees any better under fifty-fifty co-determination than they would have been served without it, but it is only by bending the evidence that it can be argued that they have served them worse. There have been plenty of signs of dynamism and efficiency in Yugoslav communes, and in the kibbutzim and the trade union controlled enterprises of Histadrut in Israel. I am investigating at the moment cases of effective entrepreneurship in Ireland, and find that among the most striking in recent years, operating in strongly competitive markets and on a scale substantial by the standards of any country, are the meat-packing and dairy enterprises of certain farmers' cooperatives. In all these cases equal or complete control by employees, unions, local communities, or producers' cooperatives has proved compatible with the operation not simply of efficient and dynamic enterprises but of an effective market economy.

It is certainly the case that profit is a central test of business, in the interests of efficient service to consumers and of security, opportunity, and good conditions for employees as well as of dividends and growth for shareholders. It is also the case that if one examines the tests of performance customarily used in, let us say, a Yugoslav commune one finds that profit, in the sense of maximising the cash available to increase members' incomes currently or in the long run, is only one of the objects in view. Others might be the reduction of work strain and improvement of the working environment, the personal and career development of members and improvement of local employment opportunities, provision of social services and contribution to local amenities and local and regional development, or simply technical and scientific achievement or economic growth as ends in themselves.

But there is no incompatibility between these two findings. On the one hand/<sup>a</sup>commune, or a non-profit enterprise in Western capitalist economies, has still to earn its living in a market. It must at least be able to meet its outside commitments, and so to avoid a loss. If it wants more resources for these other objectives, it has to earn enough surplus to cover them. And on the other hand, though there are groups and individuals within Western capitalist enterprises for whom profit is the main or even the sole objective, they are likely in today's conditions soon to find themselves in trouble even as profit-makers if they forget that an enterprise is a plural society, and that other groups will collaborate only if their objectives are provided for as well; whether these objectives be external, as with pollution and the environment, or internal as with job security and enrichment.

I said earlier that my impression as one who works in management education is that, just as behavioural science and quantitative methods were the theme of management education in the last generation, so the social responsibilities of business will be the theme of the next. It is not by accident or out of pure altruism that this is happening. Society is imposing new standards on business, and both management and management education reflect these. The West moves towards social responsibility without abandoning profit and the market, while Eastern Europe <sup>moves</sup> towards the market and profit without giving up its socialist objectives.

It would be hard today to argue seriously that sharing the ultimate control of an enterprise with employees is incompatible with the rights and use of private and decentralised property. One of the ~~oldest~~ traditions of the private sector itself is the partnership into which one member enters on the basis of his capital and another on that of his work and professional skill. Nor is a share for employees in "economic" control incompatible with an arm's length relationship between a union and management. We now have working formulas showing how the two can be reconciled. This seems for example to have been very successfully achieved under the British Steel Corporation's plan for employee directors at Product Division level. There are formulas for maintaining unity of a firm's directing authority while also incorporating into it, or bringing it under the influence of, employees as well as shareholders. Germany has chosen to combine a representative Supervisory Board with a unified, professional, Executive Board, The Netherlands have preferred a unified, self-coopted, Board of Commissars, but with a right for employees as well as shareholders to propose or veto candidates for cooperation. And there are successful / <sup>examples</sup>

from several countries of how to build Board representation in to the whole network of representation of employees by works councils and unions, and to avoid leaving it to hang isolated in the air.

What then is missing - what are we disputing about? It is not that we lack the elements of a solution, or rather of solutions geared to the circumstances of each country of industry. It is that, whereas the relationship between shareholders and executives has been thought through and worked out in practice over generations, in the case of employees' share in the final controlling authority of enterprises the necessary constitution-making is only now getting under way. Only one country, Germany, has a really long and substantial tradition in this field. The first concerted, all-European, effort to agree on an enterprise constitution incorporating this element has been the debate over the European company, and even this was confined for the most part to the Six. The main task facing us in this area over the next few years is not to conduct basic research and experiment, nor to debate principles. For the reasons I have already indicated, we can take it for granted that the demand for an effective share in the final control of enterprises will continue and increase, and we have by this time a pretty good idea of what sort of arrangements for this purpose will be workable. The problem now is to assemble from the elements already available a constitution to suit each country and, if necessary, each case.

I do not want to minimise the difficulty of this; of doing justice both to the complications of this sort of constitution-making and to the circumstances of different cases and the different interests involved in them. But at least this is

now a practical, down to earth, task, and it should be possible now to get away from the barren exchange of unsupported generalisation and counter-generalisation so common in this area in the past. Towards this next stage of practical achievement I contribute half a dozen rapid-fire points.

(i) We can today assume a better understanding than in the past of the role of an executive and of the conditions necessary for him to fill it. He needs to be more of a politician than in the past, one who has insight into and can reconcile the various interests involved in his enterprise, and can lead through participation rather than dictation. He is also more of an employee, one who needs the support of his own union. In these days of mergers, shareholder revolts, and sudden redundancy, I would not exclude from this even managing directors. But he still **and is by now accepted on all sides as** having ~~has~~ the same two basic characteristics which he always had. He is, first, a member or leader of a management team, not a representative. His appointment may be approved by spokesmen of this or that interest, but that does not make him a representative. The debate over the role of the labour director in the German steel and coal industries **has** been particularly useful in clarifying this. The labour director is now accepted by all as primarily an executive whose appointment is subject to special formalities, and not primarily as a union man. Like other executives, he serves the enterprise, not any one interest within it. And secondly, and not less important, the executive like other workers continues to need a sphere of individual autonomy, limited neither by unnecessary rules and directions nor by committee government.



(ii) The idea of a Supervisory Board is essential to the right relationship between executives and employee or other representatives. If these representatives are to have effective control they must be able to keep fully informed, to call in key decisions for their consideration, and if necessary to act to remove an executive, but they must not have the right to impose committee government on him or take away his necessary autonomy. But the actual mechanism for applying this idea does not have to be a Supervisory Board, even at the top level of an enterprise. It can be a negotiating committee with the union, a staff board, or a works committee, provided that <sup>whichever</sup> of these <sup>is used</sup> has appropriate and strong enough powers. The structure and function of boards varies from one country and enterprise to another, and so may the actual machinery for participating at board as at other levels.

(iii) The British trade union movement rightly insists that employee control over executives' actions and "economic" policies is not only, or even perhaps primarily, required at the top. A good example of what they have in mind is the British Steel Corporation's introduction of employee directors at Product Division level. Looking in one direction, there is a case for applying the idea of a supervisory board or of employee directors of the British Steel Corporation type down to the level of the individual plant or even department. But, equally, when one looks not downward but upward in any enterprise, experience shows that there is no level at which employee representation ceases to be relevant. It is hard

to take seriously the objection of the Union of Industries of the European Community to the introduction of a works council at holding company level in the European Company, on the ground that it is "inconceivable" that such a council could carry out "important and reasonable" tasks on behalf of workers in the group of companies controlled. It is precisely the major decisions about the deployment of resources, the trading relation between subsidiaries, and the criteria of management success which are made at this level which are likely to have the most far-reaching effects for workers in the subsidiaries and countries which they affect. There is no escaping the fact that the top level of a company is not only the place where many key decisions are made but the final court of appeal in the case of decisions lower down.

(iv) I cannot repeat too often that employee representation at any level, and with whatever degree of control or influence, must always be thought of, not in isolation, but as part of a total network of representation using various channels; union machinery, board representation, works councils, or whatever they may be. Board representation does not cease to be relevant merely because it is inevitably remote from the ordinary worker. It is a powerful supplement to other forms of representation, but has its full usefulness only if effective transmission belts link it to other lines of representation both at its own level - through the union - and lower down. As the Biedenkopf Commission rightly recognised for Germany, there is everything to be said for including in the team which represents employees at board level both representatives from an enterprise's own staff, fully informed of its conditions, and others from outside with a wider viewpoint and an independent power base.

(v) Recognition that an enterprise involves more than one interest, and that interests other than those of shareholders have a right to a voice in its affairs, has of course implications for the information which the enterprise needs to make available to the representatives of each interest and to the public. A number of these implications are already written into different countries' companies acts and works constitution laws or, in Britain, the Industrial Relations Act of 1971. But I draw attention again to a further implication which I mentioned earlier: the case for moving from profit-and -loss to net value added accounting, so allowing the financial claims of all the parties to an enterprise, including the community as well as employees, to be treated on an equal footing.

(vi) Distinctions in the machinery for sharing in control over general management and economic decisions will clearly be needed according to the size, stage of development, and type of market of enterprises: the distinction between public and private ownership is for this purpose less important. The case for separate measures for giant concerns has been particularly thoroughly debated in Germany. I emphasise rather the other end; the case for a measure of employee control even in owner-managed firms. I am watching at the moment, from the angle of an old customer, the crumbling of a family firm where the current successor, through no fault of his own, has proved to be an effective second in command but not fitted for the top job. This could be a case for Bloch-Laine 's magistrature economique et sociale to step in and withdraw the successor's<sup>x</sup> licence to direct". But it is also worth reflecting that the origin of the German supervisory board was the need, in Kommandit companies, to give the

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\* F. Bloch-Laine, Poor Une Reforme de l'Entreprise, Sevil, 1963, Chs. III and VII.

active shareholders their head, yet at the same time to provide a watchdog on behalf of the passive shareholders who normally have no hand in directing the business. There is a case for a similar arrangement in small companies today. Normally the "master craftsman" who is likely to head such a company should be left the same full freedom to act as an active shareholder under Kommandit. But employees as well as other shareholders need also the right not only to be informed but in the last resort to intervene before it is too late.

(b) The vertical and horizontal integration of participation.

Decisions of importance and interest to employees are made at every level of the economy and at every level and in every part of an enterprise, and many of these decisions are or should be systematically related to each other. Therefore the network of participation, whether in the form of bargaining, consultation, or direct membership of controlling bodies must cover them all, and in an integrated way. That is the principle, and it is no more than obvious common sense. The problem is to apply it. I distinguish again between aspects which may need hard work and tough bargaining, but are matters of straightforward evolution from past experience, and one major aspect which calls for decisions of a sort not yet generally accepted.

In the first category I include all aspects of integrating systems of participation within the enterprise; the integration of autonomous work groups with shop steward and other representative systems, the link between shop floor and plant-wide or company and group-wide representation, including representation at the top level of holding and multi-national companies, and the linking and balancing of the representation of units at the same level of each enterprise. None of these is easy, whether in a capitalist or<sup>a</sup> socialist economy. There is room for strong disagreement about methods. There is a good deal of innovation going on, and considerable shifts of emphasis; towards shop floor power and company-wide bargaining, away from the more generalised type of bargaining found at industry-wide or regional level. But none of these aspects of integration raises any principle outside and beyond the established practice of collective bargaining and other forms of representation, and for all of them we have at least some models to work from. The problem is to extend and develop existing practice rather than to break away into something wholly new.

When for example I read a paper by Mr. Charles Levinson of the International Federation of Chemical and General Workers' Unions on bargaining and participation in the multi-national corporation, or follow other work of the International Trade Secretariats or the ECFTU, or the debate on representation in the European Company, I recognise, cer-

tainly, that here is an under-developed area of participation in which much work remains to be done. As the British Trades Union Congress noted in its 1970 report on International Companies:-

"As yet . . . international trade union coordination could not be said to amount to a major countervailing force to the multi-national corporation",

and, as regards :-

"Presentation of internationally agreed bargaining demands to international companies as a whole, and coordination of tactics to realise these demands . . . In the world as currently organised this . . . is a very long way off".

There is a mass of work still to be done by unions and employers. International institutions, in particular the institutions of the European Community, have still to build a code of good practice for industrial relations at the multi-national level which will stand comparison with those now taken for granted in individual countries. Some of the provisions of such a code might with advantage be taken from the field of company rather than labour law. There could for instance be an interesting lesson for trade unionists in the provisions of the German Companies Act of 1965 which require a holding company either to give shareholders in a controlled company legally binding guarantees against discrimination, or to report annually on its transactions with the controlled company, particularly those not conducted at arm's length. The right to guarantees and information of this kind is precisely the sort of safeguard which employees in a multi-unit and especially a multi-national company need.

But in all this we remain on familiar ground. Bargaining along with other forms of participation in the multi-national corporation belongs basically to the same world as bargaining and participation in multi-unit companies of similar size within one country, and there is already a good deal of experiment

with it from which to learn. So also at the other end of the scale, though few enterprises would yet claim to have solved successfully the problem of integrating autonomous work groups with traditional trade union representation, it is clear that there need be no basic contradiction between the two, and there are at least some models on which to draw.

Where a different and much tougher problem arises is over reconciling the claims of enterprises with the needs of the economy and community as a whole, particularly over incomes policy. In disputes over pay in a firm or industry, top-level and shop floor level union negotiators may have their differences. But they are heading in the same direction, towards the maximum settlement obtainable for their members, and the question is simply of what tactics to employ. When on the other hand it comes to incomes policy, union negotiators at national or industry-wide level may and regularly do find themselves expected, for the sake of maximising real income and employment prospects in the longer run, to ask their officials and members at enterprise level to forgo short-term gains which employers would be willing to grant. Incomes policy or no incomes policy, many employers - as a number of them made clear at the National Institute of Economic and Social Research's conference on British incomes policy in January 1972 - will not of their own accord risk shutting down their firms to resist inflationary claims which their own particular market conditions would let them meet. For both unions and employers, especially at enterprise level, incomes policy stands in direct contradiction to key assumptions of ordinary collective bargaining.

An incomes policy is several things at once. It is first and foremost a prices policy. Its primary aim is to defeat inflation by holding down the components of prices, but this may need to be supplemented with more direct control over prices themselves. It needs to take account of all the types of income which enter into prices and of the special problems of particular groups of income receivers. Though for example the chief cause of incomes inflation is usually wage and salary claims rather than profits, in practice an incomes policy has no need of continuing success unless profit levels, dividends, and now also the level and ownership of reinvested profits are regulated as well as wages. Incomes policies have arisen particularly out of concern with the overall, average, increase of incomes, but cannot escape being judged on whether they do or do not help the low-paid or favour the rich. Except in a time of extreme national crisis, they can hope to succeed only if associated with an overall climate and policy for social progress. In the past I would have said "for growth"; but, for the reasons I have already given, that particular lubricant is likely to be less available in the future than in the past, at least in so far as it refers to enabling people in industrialised countries to consume more physical resources. An incomes policy has to be all-embracing, differentiated, and detailed enough to take account of a great variety of circumstances in particular occupations and groups. It has to be felt effectively at all the levels, right down to the individual enterprise and the shop floor, at which significant decisions about incomes are made. Yet at the same time it has to be simple, easily understood, and seen to be based on clear and generally acceptable principles.



A policy as many-sided as this must depend heavily on the support of employers and workers, for only the people in each enterprise and occupation have the knowledge needed to apply the necessarily broad and simple principles of an incomes policy flexibly enough and with enough attention to local circumstances. But an incomes policy cannot be left to employers and workers or their unions alone, for it too often clashes with particular employers' or workers' interests. It is concerned by definition with balancing claims against the resources of the community as a whole, and employers and unions, even collectively, let alone individually, have neither the motivation nor the breadth of vision to do this. The Government has therefore to appear on the scene, not as a detailed regulator, but as a third bargainer and to use its power, on behalf of the community, to insist that unions and employers shall play their detailed part in incomes policy in spite of their reluctance.

This is the essential point which has emerged from the experience of incomes policies in a number of countries: that the Government's relation to the other parties to incomes policy must be both a limited and a bargaining one. It cannot be one merely of persuasion, nor of detailed and continuing compulsion. Persuasion is too weak. Detailed and continuing compulsion can be and has been made to work under the Stalinist type of socialism. In a market economy and a democracy it is simply not acceptable, except in short periods of extreme crisis. There remains only the possibility of a relationship in which the Government bargains with the other parties, on the same basis as in any other sort of collective bargaining, for their cooperation in carrying out policies which the Government ought not normally to carry out in detail itself. What the Government wants is the agreement of employers and unions, at all the levels at which significant decisions define and accept a set about incomes are made, first to /of broad and clear principles about

incomes policy, and secondly to administer the agreed policy in detail, with a minimum of direct intervention on the Government's own part. What it has to do to get this agreement is to convince the other parties - again at all levels - that the Government has enough favours to grant and penalties to threaten to make it worth while for them to reach this agreement.

A particularly effective type of argument is likely to be for the Government to convince the other parties that in the last resort it can and will itself enforce a policy, though crudely and on lines which employers and unions would prefer to avoid by handling the policy; the more objectionable, in a sense, the better. Ordinary collective bargaining depends on the availability of a strike or a lockout as the ultimate deterrent; it is to the advantage of all parties that this deterrent be not used, or at least not used too often but it must be there. The Government too needs for the purposes of incomes policy bargaining to equip itself with a set of strong bargaining counters.

Governments can if they wish mobilise a whole armoury of inducements and deterrents. The impact of some is general, at the national level. At the end of 1970 the Irish Government broke a deadlock between employers and unions, and made possible a highly successful National Employer-Labour Conference Agreement against inflation, by bringing in a Prices and Incomes Bill on lines highly unwelcome to both sides, showing that it meant business with it, and then withdrawing the bill when the deadlock broke and agreement was reached. A wage freeze is another very useful threat. There can also be bargaining over a Government's own fiscal and social policies.

But more detailed means of persuasion are also necessary, for the practical problem of incomes policy is less to get a national agreement on broad principles than to stop individual industries and enterprises from breaking away from it. My own favourite scheme is a heavy tax on the wage bill, payable partly by employers and partly by workers, with exemption or repayment for enterprises which can satisfy an appropriate employer-union body, or in the last resort the Government itself, that they have kept within incomes policy norms. It is of the essence of the plan that the onus of proof should be, not on some outside body to prove that an enterprise has violated the norms, but on the enterprise to satisfy the guardians of incomes policy that it has kept to them. But there are many other weapons available, some fiscal, some of other kinds. Overpayments can be disallowed for corporation tax, prices or incentive earnings can be limited by order, subsidies and tariffs can disappear, government decisions and services from government departments can be unaccountably delayed, government contracts can suddenly go elsewhere. A government which is determined to use its bargaining power will find that it has no lack of cards in its hand, provided that it organises itself to use them and learns to play that game. There is admirable sense in the doctrine - his methods were less attractive - of a French Prime Minister of seventy years ago: the Republic owes justice to all, but favours only to its friends.

I said earlier that it is hard to conceive how a European fiscal and monetary union could work without a network of incomes policies covering all the Ten. It is a matter for consideration, not only how the European institutions can best help

to bring these policies to birth in individual countries, but what use they can make of their own considerable and growing bargaining power to help this process along, particularly by intervening in decisions relevant to incomes policy which may be made at European level either through employer-union bargaining or directly by managements.

### III. SUMMARY OF TASKS FOR THE EUROPEAN INSTITUTIONS

The field dealt with in this report is one where action, even if coordinated or harmonised, will remain largely at the enterprise or at most the national level. The role of European institutions, public or private - of U. N. I. C. E. or the trade union bodies at European level as well as of the Commission - will therefore be largely, as I said earlier that of the gardener who helps a hundred flowers to bloom, each in its own style and place. This role ought not to be under-estimated. Some of us late-comers to Europe may be better placed to appreciate this than long-established members of the Six. In the British Isles we have experienced lately a remarkable impression of fresh stimulation and of windows opening, simply from having actually to talk to our neighbours and take seriously their strange and peculiar ways of solving problems similar to our own. But I have of course also mentioned a range of issues, such as European-level collective bargaining or even incomes policy, in which the Commission or the European organisations of trade unions or employers need to be involved by way of their own direct action. I close with a summary of issues of both sorts and of the conditions in which they have to be solved.

Summary

1. We can expect strong upward pressure to harmonise the conditions of work at enterprise level, but in the context of resistance to standardisation and central or bureaucratic control, based on considerations of national identity and tradition, of the management style appropriate today, and of the quality of life. The problem is to reconcile this with necessary central planning. The formula is that of the gardener helping his hundred flowers to bloom. (pp. 2 - 6)
2. We have to expect a cutoff to growth in the richer countries, a swing to quality rather than quantity in the standard of living, and resulting pressures for equality within as well as between countries, more accent on the social responsibilities of enterprises, and downgrading of arguments against participation on the ground that it limits the material efficiency of production. (pp. 7 - 9)
3. The climate of problem-solving will not become more peaceful or less full of tensions. Some particular issues may pass from controversial to routine, but other controversial issues will replace them. (pp. 9 - 11)
4. The timetable and occupational pattern of careers is likely in future to be much more flexible than in the past, and more adapted to individual cases. Contributing factors are the speeding up of technical progress, more job-changing in formerly stable occupations, more married women in the labour market, and better appreciation of the problems of workers nearing retirement. It will be important to help employers, unions, and manpower planning agencies to handle this new pattern of careers successfully. (pp. 11 - 15)
5. Policies are needed to enrich jobs at all levels to match the higher quality of people available to fill them, and to develop both individual and group motivation to achieve. (pp. 15 - 17)

6. Policies against job insecurity should not be confined to its more obvious forms, such as dismissals and unemployment. Flexible careers and the replacement of bureaucracy with network or participative management deprive many of their fixed place and role. For women, immigrants, or older men insecurity often means being denied access to favoured jobs, or to any jobs at all. The central need is to guarantee to all a secure "professional base", chiefly through the trade union movement, but legal and political action is needed as well. (pp. 17 - 22)

7. No modern state can avoid having a policy for incomes and wealth, whatever it may choose to call it. The market produces a distribution and growth rate of incomes and wealth, and some impact of them on inflation, exchange rates and the balance of payments. But which pattern it produces depends on the rules which custom and policy impose on it. A European monetary and fiscal union could not work successfully without coordinated - not necessarily identical - policies for incomes and wealth. (pp. 22 - 24)

8. There is no longer any question that practicable policies for a massive dispersal of the ownership of wealth, and especially of currently accumulating business capital, are available and in demand. The question is for what to use them. For creating a population of small investors or for a share in the control of industry, since these two objects conflict? How to allot a fair share to people in the non-profit sectors? Individual or collective control of dispersed wealth?

A marginal change or a revolutionary switch to a capital market based on the small man, including his investment in pension funds, or a step further to communes? In any case the profit and investment plans of enterprises are now matters for bargaining and political decision. (pp. 26 - 32)

9. Demands for the sharing of power in enterprises are likely to increase; see the summary of pp.7-11. It is the whole network of participation in power that matters, not any one section of it on its own. Two main areas need special attention: participation in the general and "economic" control of enterprises, and the vertical and horizontal integration of participation at different levels or in different units of enterprises. (pp.32-33)

10. In many areas of enterprise participation the outlook is for further evolutionary change within established national patterns, with some convergence between them. But as regards sharing power at board level, and generally power over executives' "economic" decisions, accepted patterns have still to be worked out. The problem is to reconcile control over executives with freedom for entrepreneurs and executives to perform their role, with which neither shareholders (Jenkins Committee on Company Law) nor any other group must be allowed to interfere. The elements of a solution to the problem of employee control have been worked out and practical models are available for each of them. Objections based on executive efficiency, entrepreneurial dynamism, unified direction, the working of the market, the role of profit and decentralised ownership, and the independence of trade unions can be overcome. But whereas in the case of the shareholder-executive relationship there is a long tradition of how these elements can be assembled into a good working model, in the case of employee control this task of constitution-making has still to be completed. This rather than a debate on principles is the next task in this area. (pp.33-44)

11. Some points towards this task are as follows. We can assume today far better understanding of the executive's role and of the freedoms which he needs than in the past, though with some changes from the past; the executive needs to be more of a politician than in the past and needs the backing of his own union. The idea of a Supervisory Board as a basis for sharing in control over executives is sound and applicable at all levels, not only at the level of the Board. But the mechanism for applying it need not take the form of a Supervisory Board. Shared control is in fact required at all levels, from plants or major divisions up to and including group level in multi-unit and multi-national companies. Board or equivalent representation is valid as part of a whole network of employee representation from inside and outside the enterprise, rather than on its own. The case for including in it representatives from outside as well as inside the enterprise is valid. The idea of an enterprise as involving many interests has implications for the information it should make available, including the question of changing from profit-and-loss to net value added accounting, which puts the shareholders on the same footing as the employee or the community. Special provisions are needed both for giant enterprises and for the owner-managed firm. A lead for the latter can be found in the fact that the Supervisory Board originated as a watchdog for inactive shareholders in Kommandit companies. (pp. 44-48)

12. Many aspects of the vertical and horizontal integration of forms of participation are today, like many aspects of enterprise generally, matters for evolutionary change within established patterns. Even the new field of collective bargaining in multi-national companies is an extension from familiar ground. (pp. 48-51)



13. An exception is bargaining over incomes policy, which can require national union officials to resist their members' immediate interests, and employers also to act contrary to their own immediate interests, so contradicting the ordinary assumptions of employer-union bargaining. Incomes policy necessarily becomes all-embracing and highly detailed, and must therefore be administered by employers and unions, who alone can do so with enough knowledge and detailed flexibility. Governments however can alone provide its driving force. Persuasion is too weak, detailed compulsion is acceptable in a democracy and market economy only for short periods in an emergency. The role of a government must therefore be as a bargainer, offering enough inducements and threatening enough deterrents to make it worth while for employers and unions to collaborate and to administer incomes policy in detail themselves. It is particularly important that a government should show that it could enforce an incomes policy on its own, even if crudely and on lines to which employers and unions would object : in a sense, the more objectionable the better. (pp. 51-54)

14. The counters used by governments in incomes policy bargaining may be general, such as the threat of a wage freeze or a Prices and Incomes Bill or bargaining over the government's own social and fiscal policies. There must also be detailed inducements or deterrents reaching down to every level, including the shop floor, where significant decisions about incomes are made. These can include wage taxes with exemption for enterprises which prove they have held to incomes policy norms; and the possibility to limit prices or incentive earnings by executive order, or to grant or withdraw subsidies, tariffs, access to government services, or government contracts. The maxim to apply is :- the Republic owes justice to all, but favours only to its friends. (pp. 54-56)





