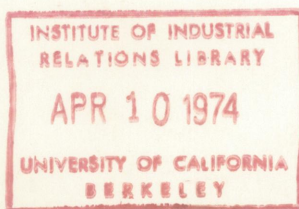


Participative management
(1972) ✓

SOME ASPECTS OF WORKERS' PARTICIPATION

CHRISTER ASPLUND



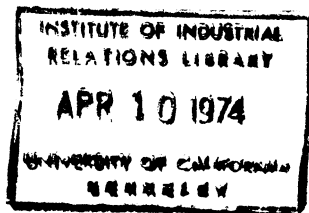
INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS
BRUSSELS

Some aspects of workers' participation:

A survey prepared for the ICFTU by

CHRISTER ASPLUND

a member of the research staff of the
Swedish Central Organisation of Salaried Employees (TCO)



INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS

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FOREWORD

Although the term itself is relatively new, the idea behind “workers’ participation” has roots going deep into the history of the labour movement. Reduced to its simplest form it is merely a question of how to secure a bigger say for the workers in the determination of the conditions governing their everyday working lives.

In recent years, however, the growing concentration of production in ever bigger units and the increasing remoteness of the real centres of economic power, especially with the spread of huge multinational companies, have lent added urgency to the problem.

In every country, whatever its political set-up may be, the worker — at the place of work — is most of the time up against a system which has little in common with democracy. However strong the trade union may be, most of the vital decisions about the organisation and tempo of production, investment, the distribution of profits, the use of manpower, training, promotion, hiring and firing, are still management prerogatives.

The free trade unions are well aware of this contradiction between the existence of democracy outside of the factory gates and its virtual absence within. Either through collective bargaining or through legislation elaborated in conjunction with political parties with which they cooperate, they have sought to introduce various measures for establishing industrial and economic democracy.

Such measures have, of course, differed greatly from one country to another because of widely varying national conditions and traditions. The ICFTU has therefore seen its task at this stage as primarily one of promoting the widest possible exchange of information on all aspects of the problem so that the full range of international experience and thinking is available to the free trade unions everywhere.

That is why in 1971 we circulated a questionnaire to affiliated organisations about certain aspects of workers’ participation. We were fortunate in securing the collaboration of Christer Asplund, a Swedish trade union economist, in analysing the replies to that questionnaire and we are very grateful to the Swedish Central Organisation of Salaried Employees (TCO) for making his services available. In addition he carried out a good deal of independent research into these problems. Any conclusions he may have drawn are, of course, his own, but we believe that this survey can provide a very useful source of information, as well as a basis for discussion of a problem which is acquiring ever increasing topicality throughout the labour movement.

Brussels, May 1972

Otto Kersten
ICFTU General Secretary

SOME ASPECTS OF WORKERS' PARTICIPATION

PREFACE

“The trade union movement cannot be an institution frozen at one given moment in time; it must as its name says move with time, forever improving its fighting techniques and its methods of social participation as well as its own structures, in the pursuit of its objective of making the values of the working class prevail in our society.” (1) This sentence indicates one important reason for this report on *Some Aspects of Workers' Participation*.

A great deal of the material contained in this report was derived from replies to a questionnaire on participation which the ICFTU sent to affiliated organisations in September 1971 (2). A word of thanks is therefore due to a large number of affiliated organisations as well as to the ICFTU itself. Additionally, this report depended to a considerable extent on the direct support from the Central Organisation of Salaried Employees (TCO) in Sweden. The hope is that the support from the TCO Fund for International Trade Union Cooperation will contribute to more knowledge and cooperation in the field of workers' participation.

The report attempts to describe first, some forms of participation and secondly, some trade union opinions on these forms. Such opinions and views in the report in excess of those expressed by the unions or by other acknowledged sources are those of the author.

Brussels, February 1972.

Christer Asplund.

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- (1) Storti, B., President of the ICFTU. From a speech made in September 1971. *The ICFTU Today and Tomorrow*, Free Labour World, October 1971, p. 3.
- (2) The text of the questionnaire is reproduced as an appendix to this report. Replies were received from affiliated organisations in: Austria, Belgium, Bermuda, Canada, Ceylon, Cyprus, Denmark, Federal Republic of Germany, Finland, France, Great Britain, Israel, Italy, Japan, Luxembourg, Netherlands, Norway, Pakistan, Sweden, Switzerland, Turkey and United States. The timetable for the preparation of the report made it impossible to include replies received after 15 January 1972.

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I. BASIC QUESTIONS

The current pressure for workers' participation is part of the historical movement in which workers (1) throughout the world have struggled, and will continue to struggle, for an equitable share in production as well as for improved working conditions. This struggle for more power at the place of work is in fact as old as the labour movement itself.

It is often emphasised that every collective agreement is, as such, an expression of co-determination. In other words, participation starts as soon as wages and working conditions are agreed jointly and are no longer determined unilaterally by management.

Historically, the trend of collective bargaining has been towards increased intervention in the internal management (i.e. "managerial prerogatives") of the enterprise. In practice this development, characterised by a broadening of the bargaining areas, indicates that the employers have had to accept the right of the workers to influence decision-making. Questions that at one time would have been regarded as the exclusive prerogative of management are now accepted, or becoming accepted, as suitable matters for collective bargaining.

Sometimes a distinction is made between "wage questions" and "control questions", or between bargaining and non-bargaining issues. However, such distinctions are nowadays being increasingly called into question by trade unions. "In the past it has often been assumed that a great gulf was fixed between bargaining and non-bargaining areas. Behaviour which was appropriate in one field was inappropriate in the other. Above all, it was said, outside the area of collective bargaining, management must remain free to operate a Command System... For a variety of reasons the feeling has grown that even outside the area of formal bargaining simple authoritarianism is not the answer." (2).

The General Secretary of the British Trades Union Congress, Mr Victor Feather, expressed the following view: "With the growth of large combines, and drastic effects on employment arising out of the changing structure and technology of industry, we are going to see a greater recognition that changes affecting work-people's interests —

(1) The term *worker* is in this report applied for all types and groups of personnel, manual as well as non-manual, within the enterprise.

(2) McCarthy, W.E.J., *Beyond Bargaining*, Free Labour World, May 1970, pp. 4-7.

changes both big and small — have to be negotiated, with the status quo operating until agreement has been reached.” (1)

Basic questions need to be asked and answered. How can the work organisation and worker satisfaction be improved? Who makes the decisions in the plant, shop and office? Who *should* make them? What should be the future role of the trade union? What should be the boundaries between bargaining and non-bargaining areas? Should there be any boundaries at all?

(1) Foreword to : *Industrial Democracy*, The Times Management Lecture 1970, London 1970, p. 10.

II. WORKERS' PARTICIPATION - A COMPLEX NOTION

Terms such as participation, industrial democracy, power and influence, can mean different things to different people. Thus one study revealed that in a group of plants where management and workers held the opinion that they practised an elaborate system of participation, there was in fact, according to one definition, a very low level of participation. In a second group where labour and management made no such claim, there was, according to the same criteria, a relatively high level of participation (1).

For the purposes of this report *participation refers to a process where two or more parties mutually influence each other when establishing plans, lines of action and decisions*. Participation is not thus a phenomenon that can be put in a clear-cut alternative: existing or non-existing. There are in fact various degrees of participation.

Types of workers' participation (2)

- I. *Cooperation* (Workers influence decisions — except in No. 1 below where this is nominal — but are not responsible for these decisions).

	<i>Workers' role</i>
1. Workers have the right to receive information	passive
2. Workers have the right to challenge decisions	negative
3. Workers have the right to make suggestions	positive
4. Workers have the right of prior consultation but their decisions are not binding on management	positive

Workers' role

- II. *Codetermination* (Workers control decisions and are responsible for them)

1. Workers have the right of veto	negative
(a) Temporary, after which management	
(i) may implement its decisions	passive
(ii) must negotiate with workers	positive
(b) Permanent	
2. Workers have the right of co-decision	positive
3. Workers have the right of decision	positive

- (1) Globerson, A., *Spheres and Levels of Employee Participation in Organisations*, British Journal of Industrial Relations, Vol. 8, No. 2 1970, p. 252.
 (2) Blumberg, P., *Industrial Democracy; The Sociology of Participation*, London 1968, p. 71.

III. LABOUR - MANAGEMENT COUNCIL WITHIN THE ENTERPRISE

Ever since the end of the First World War most countries have experimented with systems of industrial organisation involving labour and management (1). In this process one can notice that the idea of workers' participation has been given very different expression in the institutions developed in various countries in line with their own industrial relations systems, cultural values and traditions. Yet, in this diversity, certain similarities and patterns can be discerned.

Many countries — and practically all European countries — have developed enterprise-level institutions of labour-management relations. Such bodies usually go under the name of "*works councils*". For the sake of brevity this term will be used in this report.

Essentially, works councils are joint labour-management bodies in which problems of mutual interest may be discussed. The range of subjects that may come before them varies but usually includes :

1. Finance and business, including an explanation of company financial statements, a look at orders ahead, a view of the competitive situation in the industry and the general economic situation.
2. Production, including targets and results in the previous period, present targets in relation to orders, new methods, equipment and techniques, defective work, customer complaints, reports on worker suggestions.
3. Personnel, including changes in top management, re-organisations, turnover and absentee figures, prospective hirings and firings, opportunities for training.

(1) The theory that there is a relationship between a high degree of participation and efficiency was advanced at the time of the First World War. Under pressure to achieve greater productivity new powers were given to workers and their representatives. Works councils appeared in many branches of industry. While most of them disappeared after the War, they reappeared in different forms during the Second World War. (See Tabb, J. Y., Goldfarb, A., *Workers' Participation in Management, Expectations and Experience*. Pergamon Press 1970). Subsequently, the idea that there is a positive correlation between a high degree of participation and productivity has received further support from many industrial sociologists, as for example : "There is hardly a study in the entire literature which fails to demonstrate that satisfaction in work is enhanced or that other generally acknowledged beneficial consequences accrue from a genuine increase in workers' decision-making power. Such consistency of findings, I submit, is rare in social research." (Blumberg, P., op. cit., p. 123).

4. Welfare, including canteens, washrooms, heating and ventilation, safety and health, transportation, housing, vacation plans, company athletics, benevolent funds to assist employees (1).

The right of the workers to a say in these matters varies from country to country. Certain similarities are however discernible. The councils "have the right to receive information" in most or certain of the subjects mentioned. The mere act of giving information to the workers could be seen as a rudimentary form of participation. However, the right of participation does not usually go much beyond this rudimentary form. In almost all countries the works councils have no right of "co-determination". By law or collective agreement, they are limited to some form of "cooperation". In practice this means the right to protest against decisions, to make suggestions or to be consulted. (In some countries works councils may take decisions on welfare and social issues and even supervise the use of funds in this area).

In general, works councils are an institutionalised form of representative participation that mostly does not get beyond the level of consultation; in very few cases are they based on joint decision-making, i.e. co-determination.

The Basic Approach to Works Councils

The type of involvement in decision-making provided by works councils raises some questions of principle, which trade unions have answered in somewhat different ways. However, the common point of departure for unions is that the strength of the labour organisations is the foundation of real workers' power. This is valid irrespective of the forms and contents of works councils.

It is possible to distinguish roughly three main trade union approaches to works councils.

1. Some unions argue that in addition to collective bargaining there should be *consultative machinery* through which the policy of the enterprise and conditions of work can be influenced. The works council and the union can coexist and should work together. The role of the union is to seek as much influence as possible in the decisions of the works council and to collaborate in its working. The works council might in turn help the union to carry out its traditional functions. This is a common approach today for example in the Scandinavian countries.
2. Some unions argue that they should participate in controlling the enterprise through bipartite organs. The demand for *codetermination*, rather than consultation has often been extended to include decisions vital to the policy of the whole enterprise. This is a common approach for example in the Federal Republic of Germany.

(1) This analysis is due to E. M. Kassalow : *Trade Unions and Industrial Relations : An International Comparison*, New York 1969, p. 178.

3. Some unions argue that no special works councils are necessary and that the trade unions can themselves handle, through *collective bargaining*, every conceivable problem likely to arise. The unions do not seek involvement in managerial aspects of the operations of the enterprise. Thus, the unions play the limited role of a critic and the influence of the union is exerted almost exclusively by negotiation and grievance handling. From this it follows that works councils are rejected. This is a common approach for example in the United States.

These three approaches have in common the basic view that conflicting interests are best resolved through unions and collective bargaining activities. But collective bargaining usually leaves wide areas to management discretion and it is here that different forms of workers' participation may enter through, for example, works councils. Different approaches are no doubt strongly influenced by the social, economic and political environment in which the union is rooted. But even within the same cultural circle, often clearly defined geographically, there are varying trade unions opinions about works councils.

However, influenced by both internal and external debate, trade union positions are constantly developing. With regard to the aim of industrial democracy, the main alternatives discussed are the following :

1. Should the purpose to be influence changes *WITHIN* present power and authority structures at the work-place ?
2. Or, should the purpose to be influence the change *OF* present power and authority structures at the work-place ?

Works councils have now existed for more than twenty years in several countries, and during this long period trade unions have gained valuable experience from them. In many countries there is now so much practical experience that it should be possible to draw some conclusions concerning future policy regarding works councils.

A Description of Some Works Councils

Works councils are generally established in one of three ways : by national agreement, by local agreement or by law.

National agreements are negotiated between a central trade union and an employers' confederation. Such agreements cover most or all of the workers in a country.

Local agreements are between an employer and the workers of the enterprise; they are valid only for the enterprise concerned.

The law : works councils must be set up by statute in some countries.

The choice between these three approaches has been made in the light of the conditions and traditions of each country.

National Agreement

In many countries there are works councils which have been set up on a voluntary basis. One argument for establishing works councils by agreement instead of by legislation is that a voluntary system should be better able to reflect the particular conditions of each enterprise. Another argument is that voluntary bodies are more easily accepted since they are based on joint agreement and the good will of the parties concerned. It is argued therefore that the voluntary approach guarantees more harmonious relations than statutory bodies.

Works councils machinery within the enterprise has been created by agreements reached between trade unions and employers at the national level in Denmark, Norway and Sweden. These national agreements contain detailed provisions governing the structure and powers of the works councils.

Denmark. The Danish tradition, which is rather similar to that of the other Scandinavian countries, has been of joint labour-management bodies established by national agreements. The first national agreement on works councils was reached in 1947 between the Danish Federation of Trade Unions and the Danish Employers' Confederation. The fundamental principle in this agreement was that labour and management should attempt to create a better work environment and to ensure satisfactory economic results. It was with these stated goals in mind that works councils ("samarbejdsudvalg") were created.

In a study made in the late 1950's, several negative aspects of works councils were discovered, which resulted in a revision of the agreement in 1964 (1).

A further revision was made in October 1970. In this new agreement the central organisations pointed out that cooperation should be based on the following principle (2): "Management of the enterprises should be carried out in such a manner as to inspire cooperation to the widest possible extent in order to ensure competitive ability of enterprises and job satisfaction. The widest possible delegation of responsibility and authority to individual members or groups of members is necessary in

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- (1) *Samarbejde på arbejdspladsen. Industrielt Demokrati*, Department of Labour, Committee on Conditions at the Places of Work, Copenhagen 1971, p. 108.
 - (2) Another basic principle is the following: "The right of employers to direct and apportion work and to employ appropriate manpower shall be exercised in accordance with the collective agreements and in cooperation with the employees and their shop stewards in accordance with the principles embodied in the present agreement". (i.e. The agreement on Cooperation and Cooperation Committees between the Danish Federation of Trade Unions and the Danish Employers' Confederation, Copenhagen 1971, p. 3).

order to ensure that employees are given a say in arranging their own work situations and influencing the decision-making in the enterprises".(1) (See table 1 for more information.)

Norway : In 1945 the main partners in industry made an agreement about works councils ("produksjonsutvalg"). This agreement has been developed and adjusted several times. In 1966 it was thoroughly revised (the works council is now called "bedriftsutvalg"). The existing basic agreement, which regulates representative worker influence, dates from 1969 and is valid until 1973. The basic agreement is signed between the Norwegian Federation of Trade Unions (LO) and the Norwegian Employers' Confederation (NAF).

The following statement is of importance : " For the individual it is of the greatest importance that the feeling of unity between him and the undertaking is strong and alive, and this is also a prerequisite for effective production. In order to obtain such feeling of unity it is important to have practical ways of discussing common problems." (2) The main task of the councils shall be "through cooperation to work for the most efficient production possible and for the well-being of everybody working in the undertaking". (3)

(See table 1 for more information.)

Sweden : The Swedish works council system ("företagsnämnd") is based upon an agreement first reached in 1946 between the Swedish Employers' Confederation and the national trade unions.

On the basis of studies undertaken in the early sixties the unions came to the conclusion that it was no longer sufficient to amend the existing agreements piecemeal and a new agreement was made in 1966. According to this the works council "is a medium for information and joint consultation between the management and the employees through their trade union organisations". The point of departure is that the works council should "fulfil the function of working for greater productivity and greater occupational satisfaction. In so doing it is the duty of the council to maintain continuous collaboration between employer and employees". (4)

(See table 1 for more information.)

(1) Ibid.

(2) Basic Agreement between the Norwegian Federation of Trade Unions and the Norwegian Employers' Confederation, Oslo 1970, p. 8.

(3) Ibid, p. 23.

(4) Agreement on works councils between the Confederation of Swedish Trade Unions, the Central Organisation of Salaried Employees and the Swedish Employers' Confederation, Stockholm 1967, pp. 7-61.

TABLE 1

EXAMPLES OF WORKS COUNCILS BASED ON NATIONAL AGREEMENTS

COUNTRY/NAME OF THE WORKS COUNCIL YEAR OF THE FIRST AGREEMENT	F O R M A L P O W E R S		SIZE OF UNDERTAKINGS COVERED CATEGORIES REPRESENTED	ELECTION OF WORKERS REPRESENTATIVES TERMS OF OFFICE	OTHER FEATURES
	GENERAL PRINCIPLES	IN PARTICULAR			
DENMARK ----- " Samarbejdsudvalg " 1947 Last revised in 1971	<p>" Co-determination " assumes an obligation on both parties to strive for agreement. Should either party in the council refuse to strive for agreement this shall be regarded as a breach of the agreement.</p> <p>" Co-influence " means that the management shall afford the council good opportunities for the exchange of ideas and suggestions for subsequent incorporation in the management's decisions.</p>	<p>" Co-determination " in formulating principles governing the organisation of local work, safety and welfare conditions and in formulating principles governing the staff policy of the enterprise.</p> <p>" Co-influence " on the general policies of day-to-day production and work planning and on the implementation of major alterations in the enterprise.</p> <p>Information from the management relating to the enterprise's economic situation and future prospects.</p> <p>Notice : Given agreement, and provided agreement procedures enable this to be done, the council may discuss basic structure, functioning and applicability of productivity-linked wage systems, and possibilities of establishing funds with educational and social aims.</p>	<p>In any firm where at least 50 workers are employed. Workers and employers.</p>	<p>Representatives are elected by all workers in the undertaking, whether organised or not. However, shop stewards are ex-officio members of the works council. 2 years.</p>	<p>Shall not deal with questions affecting the conclusion, extension, termination, interpretation or adjustment of national or local wage agreements which are normally settled by negotiation or statutory means.</p>

TABLE 1 (cont.)

EXAMPLES OF WORKS COUNCILS BASED ON NATIONAL AGREEMENTS

COUNTRY/NAME OF THE WORKS COUNCIL YEAR OF THE FIRST AGREEMENT	F O R M A L P O W E R S		SIZE OF UNDERTAKINGS COVERED CATEGORIES REPRESENTED	ELECTION OF WORKERS REPRESENTATIVES TERMS OF OFFICE	OTHER FEATURES
	GENERAL PRINCIPLES	IN PARTICULAR			
NORWAY ----- "Bedriftsutvalg" 1945 Last revised in 1969	"The works council is an advisory and informative body". "When the council has expressed its opinion on a question, the management shall deal with it as soon as possible and inform the council at the first meeting after it has reached a decision".	<ul style="list-style-type: none"> major changes in production plans questions of quality developments of products and plans for expansion and restrictions or reorganisation which are of major importance to the workers and their working conditions and shall work for sound and correct rationalization improve safety and health social measures, vocational training information from the management on the financial status of the undertaking, such information shall be given to the same extent as to the stock-holders. 	In any firm where at least 100 workers are employed. Workers and employers.	Representatives are elected by all workers in the undertaking, whether organised or not. However the chairman of the shop steward committee is ex-officio member of the works council. 2 years.	Shall not deal with questions of wages and working hours or disputes on the interpretation of collective agreements or work agreements. However, working hours and standard wage and piece-work systems may be discussed in general but no agreements may be entered into by the council.
SWEDEN ----- "Företagsnämnd" 1946 Last revised in 1966	"...questions having an essential bearing on the firm and its personnel will be made the subject of information and consultation within the works council".	<ul style="list-style-type: none"> production matters such as techniques, organisation, planning personnel matters such as principles and methods of recruitment, selection and promotion, over-all planning of the preparation of introduction programmes in economic matters information should be given should there arise any question of a shutdown, suspension or major cutback in the operation, there must be consultation in the works council 	In any firm where at least 50 workers are employed. Workers and employers.	Elected by the local trade union organisation in the manner it prescribes. The chairman of the works club, or a person holding a corresponding position should normally be a member of the works council. At least two and at the most four years.	Has no right to deal with disputes concerning the collective wage agreement and the regulation of employment terms which are normally to be handled by a trade union organisation.

Local Agreement

There are great difficulties when describing this sort of participation in general terms because the methods vary from industry to industry and from factory to factory. And, although national trade unions and employers' confederations confer on many issues, they do not propose "umbrella" agreements similar to those on works councils in the Scandinavian countries. In practice this means that more or less formal works councils machinery is set up voluntarily and in general they have no statutory force behind them. Nevertheless there are several examples of support from governmental or semi-official institutions and/or from trade unions and employers' organisations. This approach to works council participation is illustrated by the conditions in countries such as Great Britain, Canada and India.

Great Britain. This country has seen a variety of approaches — some of them contradictory — to the problem of workers' participation. However, recent British experience seems to indicate a preference for expanded workers' participation in the traditional collective bargaining sphere but little or no active involvement in other aspects of management. (1)

Attempts to gain more influence for the workers in industry have included developments such as the syndicalist movement, the guild socialists, the shop stewards' movement, and the Whitley System after World War I and the works councils ("joint production committees") during World War II. Works councils machinery has been referred to in the following way: "...the widespread adoption of the machinery through which, for the first time the workers counted as something more than mere factors of production, helped to secure a rapid translation of their traditional hostility towards increased production into widespread enthusiasm to assist the war effort". (2) After the war-time emergency the idea of consultative participation received a measure of joint support from employers' organisations and trade unions as well as from the government. (3)

At the moment works councils, or their equivalent, may be established by agreement between a federation of trade unions and its counterpart. The councils are mixed bodies, composed of management-

(1) Derber, M., *Crosscurrents in Workers' Participation*, Industrial Relations, A Journal of Economy & Society, Vol. 9, No. 2, February 1970, p. 127.

(2) Ford, C., Trade Union Advisory Committee with the OECD, *Joint Consultation and Codetermination of the Works Councils in Western Europe*, European Regional Organisation of the ICFTU, 1966, p. 14.

(3) *Labour - Management Relations Series*, No. 33, ILO, p. 69.

appointed representatives and representatives either elected by the workers or appointed by the trade unions. Some managements do not like union stewards as workers' representatives on joint consultation machinery lest they seek to establish an atmosphere of negotiation. Many union officials on the other hand oppose the exclusion of union stewards from works councils, on the grounds that management might use the committees to by-pass and undermine union power. (1)

Canada. The idea of union-management cooperation through works councils ("joint consultation committees") was pioneered in Canada by the Canadian National Railways in the early 1920s. Between World Wars I and II the works councils developed to only a limited extent in Canadian industry. The work of the councils was reviewed after World War II and is now heavily supported by a special government agency (since 1966 the Labour Management Consultation Branch of the Department of Labour). This Branch operates in an advisory and consultative capacity for both labour and management.

The Canadian works councils are purely voluntary where both sides may discuss their day-to-day problems. The works council "...can deal with any subject, with the prior mutual consent of both parties, as long as the council is not considered as a substitute for the collective bargaining agency". (2) Unions should appoint, or elect, representatives who possess a sound knowledge of the company operations and the confidence of their fellow workers, preferably the senior executive officers who can give authoritative answers to management. (3)

India. The works councils ("joint management councils") in India were set up in a number of enterprises before and during the Second World War. Officially the councils were introduced in 1958. They were the outcome of a government policy which aimed at associating workers more closely with the managements both in the public and private sector. However, this policy was in part a response to union demands for the curbing of managerial authority, some of which took the form of demands for workers' participation in managerial decisions. (4)

The proposal which was adopted in 1958 emphasised that the scheme was above all voluntary and that the councils were to be formed solely

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- (1) Kassalow, E. M., *Trade Unions and Industrial Relations: An International Comparison*, 1969, p. 177.
 - (2) *Joint Consultation at Work*, Labour - Management Consultation Branch, Canada Department of Labour, Ottawa, p. 7.
 - (3) *Ibid.*, p. 8.
 - (4) *Workers' Participation in Management: A Review of Indian Experience*, International Institute for Labour Studies, Reprint No. 5, pp. 161-162.

on the basis of local agreements. The government also emphasised that, in order to qualify for inclusion in the government scheme, units selected should already have a good record of stable and constructive industrial relations.

The councils were to serve essentially as an organ to receive information, discuss and give suggestions. The scope of the councils was limited in the following way: "All matters, e.g. wages, bonuses, etc., which are subjects for collective bargaining are excluded from the scope of the councils. Individual grievances are also excluded from their scope. In short, creations of new rights as between employers and workers should be outside the jurisdiction of the management council." (1)

Law

A widespread basis for works councils is legislation. A common argument for this approach is that the law makes their establishment a general obligation on all enterprises including those which are not covered by collective agreements.

Works councils legislation was passed in some European countries immediately after the First World War, but it was mainly during and after the Second World War that the movement developed on a large scale. Works councils machinery has now been established by law in Austria, the Federal Republic of Germany, Belgium, the Netherlands. (2)

Austria. Works councils in Austria have their origin in the beginning of this century. In 1947 the second Austrian Works Council gave the workers the right of consultation. The regulations on works councils ("Betriebsrat") have not changed much since 1947, except for an important amendment introduced in September 1971.

(See table 2 for more information.)

The Federal Republic of Germany. The idea of works councils can be traced as far back in German history as 1848, when the Constitutional Assembly, meeting in Frankfurt during the revolutionary upheaval of the time, called for such councils. Thus, there is a long tradition behind the series of laws that was passed between 1950 and 1956. These laws provided for workers' participation in private and public enterprises, through works councils and related bodies. This legal framework was not established without pressure from trade unionists who claimed

(1) Ibid., p. 163.

(2) In order to handle the material we have had to limit the more detailed presentation to these examples. However, the following countries could also be mentioned in this connection: Burundi, Colombia, Finland, France, Iraq, Spain, Tanzania, Turkey, Zaïre.

that management's executive power should be placed in the hands of works council members. (1)

In 1952 a special law, known as the Works Constitution Act, called for the establishment of works councils. (2) A German works council represents all the workers of an enterprise and consists exclusively of workers' elected representatives. On this point German and Austrian legislation is the same.

In 1971 some proposals for amendment of the Works Constitution Law were adopted. (See table 2 for more information.)

Belgium. The works councils ("Conseil d'Entreprise") in Belgium were created by a law of 1948. This legal basis has been supplemented by regulation and by basic agreements between the national central organisations. Thus, a collective agreement, signed in 1970 between the employers' organisations and the trade unions, confers new rights upon the works councils.

The purpose of the works councils is to ease relations between the workers and the employer who must provide the council with regular information on financial and economic matters concerning the enterprise. (3)

Belgian works councils, as well as the councils in the Netherlands, are composed of both workers and employers. The German and Austrian examples have already illustrated the other school of thought.

(See table 2 for more information.)

The Netherlands. The works councils ("Ondernemingsraad") are governed by the Joint Consultative Committees Act of 1950. The law conceives works councils as organs for harmonious cooperation in the interests of the undertaking: "It shall be the task of the works council, with due recognition of the autonomous function of the employer, to contribute its utmost to the best possible functioning of the enterprise." (4) Should disagreement arise in the works council, the law gives the employer the last word.

(See table 2 for more information.)

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- (1) *Workers' Participation in Management in the Federal Republic of Germany*, International Institute for Labour Studies, Reprinted from Bulletin No. 6, June 1969, p. 2.
 - (2) The particular character of the German institutions for participation is attributable to certain characteristic factors. For instance, in Germany trade unions do not normally conclude collective agreements with individual enterprises, as they do for example in the United States. As a general rule collective agreements are concluded on a regional basis.
 - (3) Blanpain, R., *Recent Trends in Collective Bargaining in Belgium*, International Labour Review 1971, Vol. 102, 1-2, p. 115.
 - (4) Article 6 (1), Legislative Series 1950, ILO.

TABLE 2 (1)

EXAMPLES OF WORKS COUNCILS BASED ON LAWS

COUNTRY/NAME OF THE WORKS COUNCIL YEAR OF THE FIRST AGREEMENT	F O R M A L P O W E R S		SIZE OF UNDERTAKINGS COVERED CATEGORIES REPRESENTED	ELECTION OF WORKERS REPRESENTATIVES TERMS OF OFFICE	OTHER FEATURES
	GENERAL PRINCIPLES	IN PARTICULAR			
AUSTRIA ----- "Betriebsrat" 1947 Amended in 1971	Information and consultation. The 1971 law requires management to provide information about everything touching the interests of the workers in social, economic, cultural and hygienic matters.	<ul style="list-style-type: none"> job pricing and average rates of wages applicable in the undertaking, where not regulated by collective agreements. According to the 1971 law all forms of incentive rates have been included co-determination in the establishment of works' rules limited veto right in the case of dismissals information (1971) in any question of a shutdown, suspension or cutback in the operation of the firm 	In any firm where at least 20 workers are permanently employed. Only workers.	Elected by all workers in the undertaking, whether organised or not. 3 years.	Has to watch over the application of the provisions of collective agreements. Disagreements with the employer are settled by special arbitration boards. It elects two members of the Supervisory Boards of joint stock companies.
FEDERAL REPUBLIC of GERMANY ----- "Betriebsrat" 1952 Amended in 1971	There are rights for co-determination, consultative rights and rights of information. The employer and the works council co-operate on the basis of the collective agreements in force, in conjunction with the trade unions and employers' associations.	<p><i>Co-determination</i> : regulation of daily working hours and breaks, the time and place for payment of remuneration, the preparation of the leave schedule, the carrying out of vocational training, the administration of welfare services, disciplinary matters, fixing of job and piece rates, principles of remuneration, introduction of new methods for remuneration, major alterations contemplated involving substantial disadvantages for the staff.</p> <p>After the 1971 reform the works council can offer more effective opposition to unjustified transfers, regroupings and dismissals.</p>	In any firm where at least 5 workers are permanently employed. Only workers.	Representatives are elected by all workers in the undertaking, whether organised or not. 2 years.	No co-determination right as to individual measures. The works council has no right to call a strike. If differences arise which cannot be settled jointly a mediation body is to be set up. It elects two representatives on boards of enterprises covered by the co-determination system.

(1) This table is based upon information from Labour - Management Relations Series No. 33, 1969, ILO; subsequent alterations have been included however.

TABLE 2 (cont.)

EXAMPLES OF WORKS COUNCILS BASED ON LAWS

COUNTRY/NAME OF THE WORKS COUNCIL YEAR OF THE FIRST AGREEMENT	F O R M A L P O W E R S		SIZE OF UNDERTAKINGS COVERED CATEGORIES REPRESENTED	ELECTION OF WORKERS REPRESENTATIVES TERMS OF OFFICE	OTHER FEATURES
	GENERAL PRINCIPLES	IN PARTICULAR			
BELGIUM ----- " Conseil d'Entreprise " 1948 Supplemented by collective agreement 1970	Information, consultation and some rights of co-determination.	<ul style="list-style-type: none"> - examination of general principles in respect to hiring and decisions on general principles for the dismissal of workers - establishment of works' rules, administration of social services, establishment of the leave schedule - the employer has to communicate to the council any information concerning the productivity and the economic situation 	In any firm where at least 150 workers are employed. Workers and employers.	Representatives are elected by all workers in the undertaking, whether organised or not. 4 years.	The employer serves as chairman of the council. Grievances and trade union matters are not dealt with by the works council.
NETHERLANDS ----- " Ondernemingsraad " 1950 Amended in 1971	Information and consultation.	<ul style="list-style-type: none"> - working-conditions that affect a greater number of workers - matters that concern moving of the enterprise to another place or abandoning the enterprise - fundamental changes in the organisation of the enterprise - important increase or decrease of production - pensions, holidays, working-hours, etc. - advice on measures that may contribute to technical and economic improvements. <p>The law also obliges the employer to provide all information needed.</p>	In any firm where at least 100 workers are employed. Workers and employers.	Representatives are elected by all workers in the undertaking, whether organised or not. 2 years.	The employer serves as chairman of the council. The law does not impose penalties on employers who fail to establish a works council or to operate one that is in existence.

(1) See footnote on page 27.

A Commentary

The above description of different types works councils has shown the importance of national traditions and has indicated the different points of departure which trade unions have taken. Some trade unions have insisted on a legal approach while others have sought increased influence at the level of the enterprise through national agreements with employers. An equally important difference which has been illustrated is the differing attitudes of trade unions on areas of negotiation and the role of unions within the enterprise.

Cooperation in works councils has often ended up in a middle position between, on the one hand, accepted problems of union interest and, on the other, so-called problems of cooperation. A well defined and generally accepted demarcation between these types of problems does not exist. This vagueness is therefore reflected in the trade unions' varying conceptions of works councils. These attitudes are discussed below.

First, however, we shall summarise some actual experiences of works councils. These are important since the legal and the factual situations often differ considerably.

Some Experiences of Works Councils

In several countries works councils came into being some time between the end of World War II and the early 1950s (in Norway and France 1945, Sweden 1946, Belgium 1948, the Netherlands 1950, the Federal Republic of Germany 1952). This means that they have had twenty years or so to prove their worth. Some of these experiences are briefly summarised below.

In the *Federal Republic of Germany* there are many smaller undertakings which should have a works council, but which do not (1) (2). It may be assumed however that undertakings with more than 200 workers usually have works councils. In the latter part of the 1960s it was reported that there were about 180,000 members of such councils in office. (3)

Ties between trade unions and councils are strictly informal. There are no formal election "lists", though in practice unions do prepare slates of candidates for council elections. About 90 per cent of council members are union members, although only about one-third of all German workers belong to unions. (4) It should be noted that the council

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- (1) The trade union movement in Germany has been active in sponsoring studies about the works councils in practice in order to assist workers active in the system.
 - (2) Wagner, H., *Erfahrungen mit dem Betriebsverfassungsgesetz*, Cologne 1960, p. 55.
 - (3) *Workers' Participation in Management in the Federal Republic of Germany*, International Institute for Labour Studies, Reprinted from Bulletin No. 6, June 1969, p. 12.
 - (4) Kassalow, E. M., *Trade Unions and Industrial Relations: An International Comparison*, 1969, p. 181.

members in all cases hold their positions because of their status not as union representatives but as workers.

A study (1) carried out in 1961-1962 showed that among the workers interviewed 95 per cent had a basic knowledge of the functions of the works council and 62 per cent knew about the decisions which could not be made by the employer without the consent of the works council.

Another fact which emerged was that 25 per cent of the chairmen of the work councils had been in office since 1952 and another 25 per cent had been elected between 1953 and 1956 (2). Thus, a certain trend towards professionalisation can be found within this group.

The study also revealed a rather high degree of satisfaction on the part of the works council members with their participation in social matters. Workers' participation in personnel matters seemed to be more controversial. Half of the works council members interviewed thought that their right to receive information on the recruitment of workers was not substantial enough. But almost 80 per cent considered their rights with respect to dismissals were sufficient.

According to another survey: "It seems quite clear that codetermination, in any case until now, has not been able to create wide enough interest in the broad masses of workers that positive, noticeable effects can be registered." (3)

A third study concluded that: "The broad masses of employed have taken a relatively passive attitude to the new institutions (which includes not only the works councils but also representation in the supervisory bodies). At the same time there are many indications that these same institutions have served as a source of inspiration for increased activity and advancement among the workers and their representatives." (4) The same study also said that the majority view of those who had been active in the new institutions was that codetermination had been significant and valuable.

There is also some empirical data concerning works councils in *the Netherlands*. According to a 1967 census, 2,270 works councils were in existence, i.e. 48 per cent of the total number of councils which would be in existence if the law had been in operation fully. (5)

Although no comprehensive survey of workers' opinions and attitudes towards participation has been made, a number of enquiries have indicated

- (1) The study was carried out by Otto Blume. The survey covered 330 undertakings within the industrial sector. His findings are based on questionnaires filled out by the chairmen of the respective works councils, standardised interviews with members of the works councils and intensive interviews with workers' representatives in 46 undertakings employing more than 1,000 workers. Otto Blume, *Normen und Wirklichkeit einer Betriebsverfassung*, Tübingen, 1964.
- (2) Ibid., p. 51.
- (3) Voigt-Weddigen, *Zur Theorie und Praxis der Mitbestimmung*, Berlin 1962, p. 516. This statement was made in 1962 and is thus based on the experience of only ten years.
- (4) Thorsrud, E., Emery, F., *Industrielt Demokrati*, Oslo 1964, p. 61.
- (5) *Toelichting op het ontwerp van wet op de ondernemingsraden*, Deventer, 1969, p. 19.

that workers favour the works councils and consider them to be useful. Seventy per cent of 500 works council members affiliated with NVV unions (the Netherlands Federation of Trade Unions), interviewed in 1961, thought that the works councils were an improvement over the pre-war arrangements. In the metals industry, a 1960 survey of 1,500 union members (500 each from the three union federations) found that 54 per cent had a favourable attitude and 20 per cent an unfavourable one towards works councils. (1)

According to another survey attitudes appeared to be more positive among employees who were trade union members, especially NVV members. (2) But this did not mean that people were also satisfied with the actual achievements of the works councils. Sixty five per cent of those interviewed described the achievements of the works councils as "middling" and 10 per cent even as "poor". The majority felt that the average worker was not well informed about the purpose and functioning of the works council.

It should be added that in the same study there is evidence that works councils function less satisfactorily in smaller firms, where there is often a more negative attitude towards them. (3)

The conclusion of this study was that "the works council belongs within the concept of the hierarchically organised economic enterprise. It is an attempt to make such an enterprise work more smoothly in its present structure by making it possible to introduce a form of employee participation within a formalised consultative framework, without creating an essentially different decision-making structure." (4)

On the basis of empirical information from the Dutch works councils, a comparison was made between three types of works councils: those which involved the negotiations of conflicting interests between workers and management; those which served primarily as a means of communicating information from management to works council members; those which were relatively dormant and apathetic. (5) The most lively councils, with the most frequent meetings, were those in which there was acceptance of conflicting interests between workers and management, and where operating procedures recognising this existed. Works councils only prosper where their interest-promoting function is recognised. Active representative consultation presupposes recognition of a possible disparity of interest within the firm.

(1) Windmuller, J. P., *Labour Relations in the Netherlands*, Cornell University Press, Ithaca, N. Y., 1969, p. 73.

(2) Drenth, P. J. D., *Industrial Democracy in the Netherlands*, The Works Councils in the Netherlands, The Hague 1969, p. 29.

(3) Ibid., p. 32.

(4) Ibid., p. 39.

(5) Teulings, A. W. M., *Belangenvertegenwoordiging en beraad in de ondernemingsraad*, Mens en onderneming, Vol. 22, 1968, pp. 44-60; see also the same author's *Constraints and Possibilities of the Dutch Works Council*, paper prepared for the IUC 17th Annual Conference, Bergen, Norway, 23-26 August 1970.

In *Britain* works councils (or joint consultative committees) existed before the First World War, but their heyday began in the Second World War, when they received much encouragement. Joint consultation in the works councils was designed to promote cooperation between workers and management in subjects outside the domain of normal collective bargaining. With some exceptions this experience proved disappointing — especially in recent years. The Donovan Commission, citing a research report sponsored by it, concluded that as shop stewards grow in importance joint consultative committees either become negotiating committees indistinguishable from shop-floor bargaining, or they fall into disuse. (1)

The volume of workplace bargaining has been extended and the use of “formal joint consultation has been declining since the early 1950s.” (2) In the engineering industry, for example, it was found that the number of joint production committees fell by a third in federated firms between 1955 and 1961. (3)

Experience has shown that effective consultation demands considerable work. “When senior members of management do not attend meetings and do not ensure that important matters are on the agenda; when they show that they take little heed of workers’ arguments; when workers’ representatives treat meetings as a relaxation from work, consultative bodies inevitably fail.” (4) Another report also concluded that joint consultation would fail if there was a weak personnel department or if the shop stewards and the trade unions were ignored. (5)

Israel is another country with experience of works councils (“joint productivity councils”) that are not too promising. After long negotiations between the Histadrut and the Manufacturers’ Association the parties reached an agreement on works councils in 1952. (6) It limited the authority of the councils to that of an advisory body only. Another limitation, which has been discovered later, was the fact that many of the provisions were so general that they left room for different interpretations by the respective sides.

A report on Israel has concluded that as a result of the general nature of the provisions and the limited authority of the councils “the

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- (1) Report of the Royal Commission on Trade Unions and Employers’ Associations, London 1968, pp. 262-266.
 - (2) Clarke, R. O., *Workers’ Participation in Management in Great Britain*, International Institute for Labour Studies, 1971, p. 12.
 - (3) Marsh, A. I. - Coker, E. E., *Shop Steward Organisation in the Engineering Industry*, British Journal of Industrial Relations, London 1963.
 - (4) Clarke, R. O., op. cit., p. 14.
 - (5) *Joint Consultation in British Industry*, National Institute of Industrial Psychology, Staples, London 1952, p. 98, p. 88 and 211.
 - (6) The areas of activity were : problems of production, improvements of methods and rationalisation of production processes, saving of materials, manpower and expenditure, improvement of the quality of products, encouragement of workers’ initiative and suggestions by means of cash prizes, questions of safety and working conditions, vocational and technical training and problems related to the fixing of norms and systems of incentive pay.

effectiveness of their functions often depended upon the goodwill of the parties in each plant. If one of the parties adopted an antagonistic attitude towards the council it was possible to turn it into a strictly formal body or even to stifle its activities completely". (1)

Another result with important implications is also underlined in the same report. Shop stewards became active in the work of the councils in order to prevent them from being a source of competition and to strengthen their position. The joint productivity councils, instead of being advisory organs, turned into another mechanism where the conflicting interests of workers and employers came to the fore. (2)

This observation is of profound interest because it repeats itself more or less clearly from country to country.

Some surveys from *Japan* also confirm that problems arise between works councils and collective bargaining. (3) The Japanese studies show that works councils perform multiple functions. A council can be a channel of communication between the workers and the employer or can constitute machinery for labour-management co-operation in order to achieve higher productivity. At times it seems that the works councils "often deal with matters which are normally subjects for collective bargaining". This means that the councils seem either to be in conflict or to compete with the formal collective bargaining machinery. The inter-relationship between joint councils and collective bargaining machinery, and also between various communication techniques of personnel management, is not yet well adjusted." (4)

The *French* experience of works councils (*comités d'entreprises*) goes back to 1945. In principle the purpose of these organs is that of "associating the workers in the running of the undertaking". (5) In France, as in many other countries, the council must not be used for negotiating conditions of employment or for presenting individual or collective grievances. "In short, the competence of the works committee is limited to those aspects of collective labour relations which raise no basic conflict." (6)

(1) Tabb, J. Y., *Workers' Participation in Management in Israel*, International Institute for Labour Studies, Reprinted from Bulletin No. 7, 1970, p. 168.

(2) In 1967 the Histadrut and the Manufacturers' Association agreed to change some paragraphs in the agreement. This provided the councils with much broader areas of activity and authority. In 1969 there were about 400 councils functioning. "It is significant that the number of joint productivity councils in the country is expanding..." Tabb, J. Y. op. cit., p. 171. For a more detailed discussion of the Israeli experience see Tabb, J. Y. - Goldfarb, A., *Workers' Participation in Management, Expectations and Experience*, Israel Inst. of Technology, London 1966.

(3) Surveys mainly conducted by the Ministry of Labour and Japan Productivity Centre.

(4) Mitsufuji, T., *Workers' Participation in Management in Japan*, International Institute for Labour Studies, reprinted from Bulletin No. 7, 1970, pp. 240-242.

(5) Ordinance of 22 February 1945.

(6) Bellecombe, G. de, *Workers' Participation in Management in France: the Basic Problems*, International Institute for Labour Studies, Reprinted from Bulletin No. 6, 1970, p. 85.

There appears to be a widespread conviction in France that the works councils have been a disappointment and that there is a tremendous gap between the expectations with which they were welcomed and their actual achievements. (1) One fairly clear indication of their failure is the relatively small number which are active. (Exact figures are not available, because the councils have not been obliged to register.) In 1954 the Ministry of Labour estimated that of 21,000 enterprises having more than 50 workers, 15,000 came under the law. Of those some 10,000 to 12,000 had works councils. In 1964, ten years later, there were only 10,000 councils. (2)

Moreover, there are apparently difficulties in finding candidates for shop steward or works councils posts and the number of abstentions in the elections has increased to some 40 per cent of the electorate. Problems of these kinds have become increasingly frequent. "The main responsibility for this must be placed upon the shoulders of many French employers, a great many of whom have not yet accepted collective bargaining and unionism." (3)

In short, the French experience shows that employers on the whole did not welcome the setting up of the works councils and they have never really overcome this early hesitation. "They could not prevent the introduction of the reform, so they did their best to weaken its effects." (4)

The experiences of works councils in the *Scandinavian countries* is rather similar. (5) Towards the end of 1968, about two years after a revision of the agreement, the *Swedish LO* published the results of a survey amongst the works council members in 1,700 enterprises. One striking result of this survey was that expected improvements in the working of the councils were largely restricted to those enterprises which had already been active in this field. In conformity with previous

(1) Sturmthal, A., *Workers' Councils, A Study of Workplace Organisation on Both Sides of the Iron Curtain*, Cambridge 1964, p. 36.

(2) Bellecombe, G. de, op. cit., p. 87.

(3) Sturmthal, A., op. cit., p. 44.

(4) Bellecombe, G. de, op. cit., p. 89.

For a detailed description of forms of French participation see Legendre, M., *A Study of Certain Aspects of the Operation of Workers' Participation in Management in Two French Undertakings*, International Institute for Labour Studies, 1970.

(5) The public interest in favour of more influence can be illustrated by the following examples. *DENMARK*: A public opinion poll showed that, when asked to name the single most important desire in their working lives, 48 % of the population put first "more influence on decisions" as against 14 % for "higher wages" and 12 % for "shorter working hours". (Berlingske Tidende, Jan. 31, 1971). *NORWAY*: A survey showed that 56 % of blue-collar workers and 67 % of white-collar workers wanted more control over their own work and working conditions, and 16 % and 11 % respectively wanted to participate in overall company decisions. (Holter, H., *Tidskrift for Samfunnsforskning*, No. 1, 1964. *SWEDEN*: A public opinion poll showed that between 70 % and 80 % of all Swedes believed that employees should have greater influence in the organisation where they work. (Dagens Nyheter, July 21, 1970.)

observations from several other countries, these improvements were observed mostly in the main large-scale enterprises. Another finding showed that only a slight majority of the works council members expressed satisfaction with the type and amount of information received from management. Advance information — one of the main aims of the agreement — was provided in only 38 per cent of firms surveyed, while in 36 per cent of the cases the information was received only at the time of the meetings. In 19 per cent of the enterprises works councils received no documentation at all.

A similar survey was repeated one year later. The above mentioned criticisms were repeated. However, there was one important difference. The latest survey points out that there has been a decrease in members who think they can influence decision-making through consultation. This pessimistic trend also concerns influence on personnel questions. (1)

In short, the works council has had little or no influence in the area of managerial prerogatives. (2)

The studies summarised so far have been selected from highly industrialised countries with long experience of works councils. In the developing countries such councils either do not exist or they have been introduced quite recently.

The *Indian* experience clearly illustrates the problem of a less advanced industrial country. The Labour Ministry of India has studied on the spot schemes for worker participation in Great Britain, Sweden, France, Belgium, Germany and Yugoslavia. Unfortunately, the Indian study team's warning against the dangers of copying the scope of works councils functions from the more advanced industrial countries was not taken seriously. (3)

The first works councils were established in 1957 and, by the end of July 1966 the scheme covered 84 undertakings in the private sector. It is difficult to determine how many of these actually functioned. However, of the 99 councils reported as having been established by the end of 1965, as many as 29 had not held any meetings at all during the year, and another 25 had met less than once quarterly. Consultation between management and workers' representatives has been limited and the information provided, unsatisfactory. There have also been many routine lapses — such as the failure to circulate the agenda in advance — which may well have reflected managements' limited faith in the scheme. (4)

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- (1) Report published in the Swedish LO periodical, *Fackforeningsrorelsen* No. 16/17, 1970, pp. 60-63.
 - (2) Peterson, R. B., *The Swedish Experience with Industrial Democracy*, British Journal of Industrial Relations, Vol. 6, No. 2, 1968, p. 185.
 - (3) Bhatia, O'P., (Bhatia is a Labour Law Consultant in New Delhi.) *Joint Councils in India - Have They Failed?* Free Labour World, October 1971, pp. 5-9.
 - (4) Kannappan, S., *Workers' Participation in Management: A Review of Indian Experience*, International Institute for Labour Studies, Reprinted from Bulletin No. 5, 1968, pp. 163-165.

The reasons for the setback in India were pointed out by Om P. Bhatia (1). According to Bhatia one important reason was that there had been a complete lack of enthusiasm on the part of both labour and management. Another central factor is that the average Indian worker is either illiterate or semi-literate. Bhatia also explains that employers in India are known to have "manipulated" the elections of workers' representatives, in order to get men of their own choice in the works councils. Those elected got all kinds of VIP-treatment such as the use of company's staff cars, well-furnished accomodation, etc. (2)

When summarising national experiences of works councils, one must of course be aware of the dangers of too much simplification. However in 1969 a report (3) published by the OECD concluded that: "No matter how works councils have been conceived — as complementary to collective bargaining, or as a permanent problem-solving institution — in Western European industry they have been a failure. The socialist objective of making them an agent of control over management has not been achieved. The Catholic and Protestant objectives of satisfying the workers' basic needs of self-determination and freedom has not been achieved, either. In most countries workers' reactions to the councils are overwhelmingly negative."

The author of the OECD report believes that the reasons for the failure of the works councils are numerous. One very important one, "if not the most important reason for the councils' failure, and for the failure of any consultative system, is the *complete lack of decision-making power*". ...The consultative machinery is basically a talk-shop, with little or no effect upon top decision-making, as well as upon the workers' participation in the organisation of their work, or in the preparation for the introduction of change."

Some Trade Union Attitudes towards Works Councils

Criticism of consultation is nowadays common and it has been suggested that the works council system is inferior to fully developed collective bargaining, largely because it does not involve the worker to the same degree in the process of decision-making. (4)

One telling point against the idea of works council consultation comes from the Assistant General Secretary of the British TUC, who said in October 1971 that: "...many issues now dealt with exclusively by management would soon be a matter for joint union/management

(1) Bhatia, O. P., op. cit., pp. 8-9.

(2) For a detailed description of participation see :
Vaid, K. N., *Further Data on the Operation of Workers' Participation in Management in India*, International Institute for Labour Studies, 1970.

(3) Stendenbach, F. J., op. cit., pp. 8-10.

(4) McCarthy, W. E. J., op. cit., p. 5.

bargaining". Collective bargaining was the most effective means that unions had devised to prevent the owners of industry from abusing their power. He concluded that joint consultation was an ancillary method but was likely to be absorbed into the collective bargaining method of achieving industrial democracy. (1) The General Secretary of the TUC has predicted that: "...we are going to see a greater recognition that changes affecting workpeople's interests — changes both big and small — have to be negotiated". (2)

The arguments against joint consultation in British trade union circles were summarized in a research paper published by the Donovan Commission. (3) Joint consultation is criticised as a process in which there is no use or even threat of use of possible sanctions on the workers' side. The employer can reject any of the workers' suggestions and criticisms. Another argument is that the notion of joint consultation involves a contradiction which shop stewards naturally find it difficult to accept. It presupposes that there are some areas of management activities that are proper subjects of joint determination by collective bargaining; on the other hand there are other areas which must remain the exclusive prerogative of management, although they may be discussed with workers' representatives. These observations coincide with the TUC views quoted earlier.

"Because considerations of this sort are widely accepted in British trade union circles, especially on the shop-floor, there is a general feeling that consultation is no longer of much use as a means of extending participation..." (4)

There are similar attitudes to workers' participation in the *United States*. The American trade unions, in their struggles for improved working conditions, have often tried to broaden the areas subject to collective bargaining, and they have not put so much effort into seeking involvement in managerial aspects of the plant's operations. The main stream of trade union opinion in the United States, from the turn of the century on, has been that the principal weapon of the trade unions should be collective bargaining. A study of participation in the United States is thus almost exclusively an examination of the extent to which collective bargaining has been used as an instrument to bring about more influence for the workers. (5)

The works councils have always been viewed essentially as productivity devices and "...looked upon with open scepticism — except in periods

(1) Murray, L., TUC Assistant General Secretary, *Murray Sees More Joint Decisions*, Labour TUC Information Broadsheet, November 1971, p. 3.

(2) Feather, V., TUC General Secretary, *Industrial Democracy - Fantasy, Fiction or Fact?*, The Times Management Lecture 1970, London 1970.

(3) These arguments have also been discussed by McCarthy, W. E. J., op. cit.

(4) Ibid., p. 6.

(5) Sturmthal, A., *Workers' Participation in Management: A Review of United States Experience*, International Institute for Labour Studies Reprint Series No. 206, pp. 2-3.

of national emergency — by most managements and trade unions alike”. (1)

This approach to works councils could be illustrated by a statement made by Nat Goldfinger, Research Director of the AFL-CIO. “The issue is irrelevant here. I would suspect that most of the issues that are bugging Europeans are taken care of here in the collective bargaining process.” (2) The American stress on collective bargaining and its importance for democratic development is further reflected in a speech in 1971 made by George Meany, President of the AFL-CIO. He said: “Collective bargaining is not a perfect instrument. It couldn’t be, for it is the creation of imperfect men. But it does work. And that’s the best of democratic devices. It is a responsible method for resolving the conflicts that naturally arise between investors who want the highest possible return on the money they invest, and workers who want the highest possible return on the labour they invest”. (3)

In a background paper for delegates to a *Canadian Labour Congress Conference on Industrial Democracy* the Canadian approach to workers’ participation is described in the following terms: “In a limited number of situations, Canadian workers have entered into arrangements with management, including labour-management consultative committees which for the most part deal with matters of a marginal or non-controversial nature, and various kinds of profit-sharing and stockholding. In some cases, these experiments in consultation and co-operation exist in organised plants and offices, in others they have been used to forestall the organisation of workers.” (4)

The alternative approach is described as follows. “Collective bargaining offers Canadian workers the most favourable opportunities of all the available options for the extension of participation in decision-making.” There should be a strengthening of “the union demand for elimination of management’s so-called residual rights and for the right to negotiate on any matter which affects workers’ income, conditions of work and the quality of life” (5).

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- (1) Labour - Management Relations Series, No. 33, ILO, p. 66.
Towards the end of the Second World War there were about 5,000 joint consultation committees in American enterprises. The declared objective of all these committees was to help increase production through the joint efforts of employers and workers. Once the war was over, they all ceased to function. The only joint consultation committees of management and worker representatives which exist today are of the profit-sharing plan types or are exceptional cases initiated by managements of isolated companies.
 - (2) Jenkins, D., *Job Power - The Coming Triumph of Industrial Democracy*; the book will be published in Danish in 1972, but for the moment is still in manuscript.
 - (3) Meany, G., speaking at the Third Annual Collective Bargaining Forum, 1971, Labour News from the United States, September-October 1971, p. 33.
 - (4) McCaffrey, G., *Industrial Democracy*, A background paper for delegates to the Canadian Labour Congress Conference on Industrial Democracy, Ottawa, October 12-13, 1971. It should be noted that this paper does not present a definite policy.
 - (5) Ibid., pp. 21-22.

In the *Scandinavian* countries, with their similar national agreements on works councils, the trade unions are now involved in thorough discussions about the role of these councils. Like other trade unions, the Scandinavian unions have made a distinction between consultation in the works councils and bargaining activities.

The President of the *Swedish* Trade Union Confederation, Arne Geijer, has criticized the Swedish Labour Court's ruling that the employer has the right to direct and allot work, in spite of what any particular collective agreement may say. Important questions — such as the organisation of work, the composition of management bodies, manpower policy and worker conditions — are taken out of the sphere of trade union influence. "The right of collective bargaining in such matters is purely illusory, since the obligation to bargain according to law and agreement in no way affects management's unilateral power of decision." He also emphasised that industrial co-operation which limits the worker to a consultative role has not been enough. "For a start, the works councils must be given a proper picture of their companies' true situation. The most logical development would be for these councils gradually to take on the responsibility for questions of long-term planning." (1)

Another criticism of the current nature of works councils is the absence of any provision for counter-measures in the event of non-compliance with the agreed procedure. Because of this the trade unions have observed that the works councils quite often fail to provide satisfaction, even measured against their avowedly limited aims. (2)

At its congress in September 1971, the LO adopted an action programme on democracy within the enterprise. It argued that works councils needed to be strengthened, though they should continue to be the central body of joint consultation and cooperation within the enterprise, since they were the only body where all personnel groups can discuss matters of mutual concern with management. (3)

The Central Organisation of Salaried Employees, TCO, argues that works councils must have the right to decide in central questions such as personnel administration, organisation, production. The TCO also pleads for an extension of the bargaining area. When a problem is not solved in a works council it should be possible to hand it over to the negotiating machinery for solution. (4)

The experiences of works councils were summarised by the TCO President in November 1971: "In the Scandinavian countries we have

(1) Geijer, A., President of the Swedish Trade Union Confederation, LO, *Industrial Democracy*, speech made in 1971, published by LO 1971, pp. 3-8.

(2) It often happens that Workers hear of a plan to close down their place of work only by reading about it in the newspaper.

(3) *Democracy within the Enterprise*, report to the congress of the Swedish Trade Union Federation, LO, Stockholm 1971, pp. 120-121.

(4) *Democratisation of Work*, report to the congress of the Central Organisation of Salaried Employees, TCO, Stockholm 1970. See also a debate report with the same heading but published in 1971. This later report deals with the private sector of the economy.

had a long and instructive period of experiments with different forms of works councils... I want to point out that surveys from other countries, with pretty much the same sort of works councils as the Swedish, lead us to the following conclusion : the works councils or their counterparts do not fulfil the demands of today. The basic reason for their unfashionableness is the almost complete lack of decision-making power." (1)

In *Denmark* and *Norway* the trade unions have also criticised the works councils, though in both countries they have recently adopted new agreements on local participation.

Although there are frequent cultural contacts between the Scandinavian countries and *Finland* there is a somewhat different approach to local participation. Thus, there is a Finnish law (there are national agreements in the Scandinavian countries) of 1949 on production committees. According to the Confederation of Salaried Employees in Finland "these committees do not have the power to decide anything : they are merely a forum for discussion between workers and employers" (2). Because of such criticism there is a new model under preparation which will replace the old regulations. "As a basis for the new system there is a council consisting of workers and then a cooperation committee consisting of both workers and employers. However, it is not yet decided in what relation the workers should be represented nor their authority"(3)

In continental Europe, works councils are most often based on laws. In *the Netherlands*, for example, the trade union movement looks upon the laws as an expression of the desire for a more democratic society. This does not mean that the Dutch trade unions are satisfied with the current conditions. The legal powers of the councils "...clearly reveal that not only do they provide no possibility of carrying out codetermination, but they offer few real guarantees for an effective influence of the workers' representatives on the operations of the enterprise. Decisions can only be reached provided that management agrees to cooperate" (4).

The new laws on participation are "seen by the unions as a first step towards more elaborate forms of workers' participation..." but "in their view too many decisions can ultimately be taken by the employer without cooperation of the works councils" (5).

In a joint programme the three trade union federations, NVV, NKV and CNV, make the following statement : "The new law for revising works councils should be supplemented by the amendments already

(1) Bodström, L., speaking in November 1971.

(2) ICFTU questionnaire.

(3) Ibid.

(4) Poppe, S., General Netherlands Metal and Electrical Engineering Industry Union, *Joint Consultation and Codetermination of the Works Councils in Western Europe*, European Regional Organisation of the ICFTU, Spring Seminar 1966, p. 53.

(5) Klaveren, M. van, member of the joint research institute of the three confederations of Dutch trade unions, *Recent Development in Workers' Participation in the Netherlands*, 1971, pp. 3-4.

proposed by the trade union movement. These are intended to extend the right to codetermination of the works council and to clarify the position of the elected members as representatives of the personnel" (1).

In *Belgium* the works council law has also been criticised. The FGTB — Federation of Belgian Trade Unions — saw the law on works councils from the beginning in 1948 as an important but insufficient step towards democratisation (2). Expectations have not however been realised: the law did not give sufficient powers to works councils, but even so it has in practice been sabotaged by the employers. Their misuse of their veto-right in all areas has contributed to reduced respect for works councils. Company problems have not been put on the agenda so that the works councils' consultative powers have not in general been respected.

The FGTB maintains that friction sometimes results between the union and the works councils. This is partly because the union representatives' relation to and position within the works councils is not clearly delineated.

On the other hand works councils have, according to the FGTB, often served as a "peaceable waiting-room" for certain demands. Demands which in general have been concerned with items other than wages are discussed in the works councils; if no agreed solution is found there, then the matter is referred to the union.

The Belgian criticisms are somewhat similar to the French. The Confédération Générale du Travail-Force Ouvrière (CGT-FO) in *France* has said that the laws on works councils of 1945 and 1966 created great expectations. But, in spite of the long period that has elapsed since the enactment of these regulations, no clear improvements in works council activities have been registered.

The FO has criticised employers for often interpreting the regulations of the law far too restrictively, and thus decisively hindering the effective functioning of the works councils. The FO believes therefore that a review of the legislation is necessary in order to strengthen the works councils' authority. (3)

Observations from *Italy* also indicate union dissatisfaction with the existing works councils and the Italian Confederation of Workers' Unions (CISL) is trying to change them. The councils at present consist of workers and employers who can use them for information and consultation on problems such as piecework, environment and workers' protection. The CISL wants to establish within the enterprise stronger organs with trade union representatives, which should have the right to negotiate over such functions that are now held by the works councils.

(1) *Programme of Action for 1971 to 1975*, published jointly by the NVV, NKV, CNV, March 1971, p. 15.

(2) *Conseil d'Entreprise*, an FGTB bulletin, No. 11, Brussels 1971, pp. 45-51.

(3) *Comités d'Entreprise et Délégués du Personnel*, report from the CGT-FO, November 1971, pp. 101-103.

This approach is also reflected in the following statement : “...trade union experience in our country confirms that the demand for codetermination in the enterprises’ decision-making process, which has become stronger and stronger during the last few years, is expressed and realised in Italy outside of legal and institutional limits by the right to free collective bargaining. After having actually experienced some cases of institutional codetermination which took place in the first few years after the war, the Italian trade union movement’s line is to achieve wider influence in the enterprise through a qualitative and quantitative strengthening of its power of initiative. In brief, CISL concludes that the workers’ codetermination in the enterprises must be realised through their participation in trade union activities”. (1)

Thus, the basic problem of the difference between consultation and collective bargaining is clearly illustrated by Italian experience too.

In the *Federal Republic of Germany* the German Confederation of Trade Unions (DGB) has stated that “the most important institution for the exercise of the right of participation is the works council”. (2) Individual institutions of codetermination, however, can be judged only in the light of their interdependence : “The works council itself can effectively represent the interest of the working people only if it has, on the Board of Management, an informed and sympathetic partner who can, at the planning stage, enable it to give full consideration to managerial decisions. Similarly, all other institutions of codetermination can be properly understood only in their overall context.” (3)

The DGB has for a long time strongly advocated revision of the regulations on works councils (the Works Constitution Act, 1952). The main emphasis is on giving the works council a much greater say and at the same time placing its cooperation with the trade union on a firmer and broader legal basis (4). “Experience over a considerable period of time with the existing legislation has shown that in the long run the council’s work depends for its effectiveness on the effective support of the trade unions”. (5)

In November 1971 a new law on works councils was adopted, which largely met the DGB’s demands, for example in social and personnel questions. (6)

There are several similarities between works councils in the Federal Republic of Germany and *Austria*. Like the DGB the Austrian Federation of Trade Unions (ÖGB) has emphasised that the council’s work depends for its effectiveness on the active support of the trade unions : “The efficacy of the works council depends primarily upon the support

(1) ICFTU questionnaire.

(2) *Codetermination Rights of the Workers in Germany*, DGB, Düsseldorf 1967, p. 42.

(3) *Codetermination - A Contemporary Demand*, DGB, Düsseldorf 1966, pp. 24-25.

(4) Muhr, G., DGB Vice-President, *Power to the People*, Free Labour World, July-August 1971, p. 8.

(5) *Ibid.*

(6) See table 2, p. 23.

that its trade union gives. It is solely through intimate cooperation between the works councils and the trade unions that a common foundation can be laid for interests at, as well as above, the enterprise level.”(1)

In *Switzerland* the Swiss Labour Federation (SGB) has adopted a special programme for workers’ participation. “The structure of the enterprises in our country is so varied and the practice of the works councils has developed so differently that it is not realistic to think about a standardised solution.” Nevertheless, the programme stresses the claim for more decision-making power: “The works councils must be changed from organs of consultation into organs of codetermination.”(2)

The special problems in developing countries are reflected in a statement on workers’ participation made by a trade unionist from *India*. (3) According to the spokesman the slow progress with works councils could be attributed to many causes. However, one reason is the lack of education on the part of workers to undertake the responsibilities of joint consultation. Special knowledge and study of all aspects of the problems of the industry or the undertaking is a prerequisite for enabling workers’ representatives to participate effectively in decision-taking. This special problem is being tackled by a workers’ education scheme sponsored by the Government of India and by the trade unions. The slow progress is also partly seen as a result of the unwillingness of management to provide labour with greater scope for participation in the running of the enterprise beyond consultation, the policy being “so far and no further”. It has been argued that the formation of works councils would be redundant if there existed representative and recognised unions as sole collective bargaining agents with whom generally all matters are consulted and negotiated (4).

The sometimes difficult position of a trade union on the shop floor is also illustrated by a statement from *Pakistan*. The Pakistan National Federation of Trade Unions (PNFTU) has pointed out that “Where there is no trade union, the works council should have jurisdiction to consider wage improvements, vacations, medical benefits, fringe benefits, etc.” And the PNFTU continues with the claim that for the sake of “efficiency and greater production, the council should have jurisdiction to consider management policies of the enterprise in the absence of other such forum”. (5)

(1) Wisshaupt, W., *Betriebliche und überbetriebliche Mitbestimmung*, Arbeitskreis 2, report prepared for the OGB Congress, Vienna 1971, p. 6.

(2) *Mitbestimmungsprogramm des SGB*, presented in the SGB periodical, *Gewerkschaftliche Rundschau*, No. 9, September 1971, p. 246.

(3) Deshpande, N. S., General Secretary of the Textile Workers’ Union, member of the Working Committee of the Indian National Trade Union Congress (INTUC), *Report on the International Seminar on Workers’ Participation in Decisions within Undertakings*, ILO 1970, pp. 66-68.

(4) *Ibid.*, p. 67.

(5) ICFTU questionnaire.

IV. WORKERS' PARTICIPATION IN SUPERVISORY BODIES WITHIN THE ENTERPRISE

Another way in which workers may share in decisions is by being represented on the supervisory bodies of enterprises. (1) This is a matter not so much of an individual right of workers to participate in decision-making, as of collective influence by the workers' organisations.

The different approaches to works councils are more or less evident also in connection with this form of participation. A considerable number of divergent views are found even in trade union circles. One approach is that the workers' interests have to be defended through collective bargaining, a process which would be jeopardised if trade unions were to participate at higher management levels. It is argued that the union would inevitably be drawn into conflict of purpose, with the workers as the ultimate losers. This approach has been described by Clegg in the following manner: "The trade union cannot become the organ of industrial management; there would be no one to oppose the management, and no hope of democracy. Nor can the union enter into an unholy alliance for the joint management of industry, for its opposition functions would then become subordinate and finally stifled." (2)

Spokesmen for another approach are of the opinion that there should be a complete sharing of decisions between capital owners and workers of an enterprise. It is argued that workers' representation at the centre of authority is a matter of simple justice, particularly in a society which claims to be based on democratic values. Because many central decisions affecting the lives of all workers are made at the top level, it is difficult to justify their exclusion from this decision-making. It is also claimed that the experience of Germany and Israel shows that codetermination does not conflict with trade union goals.

Some Trade Unions Attitudes toward Workers' Participation in Supervisory Bodies within the Enterprise

The following review of trade union attitudes is based primarily on replies to the ICFTU questionnaire.

The questions were as follows: "Has your organisation expressed any opinion concerning the representation of workers in supervisory bodies in the enterprise? (e.g. board of supervision, board of directors). What are the main points in these expressed opinions?"

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- (1) Here this term indicates representation at higher management levels. On this point it should be noted that there are some national terminological variations (e.g. supervisory board, board of management, board of directors). To some extent this may correspond to differences in the actual work of the organs. However, in this context the important aspect is the *function* of high-level representation.
 - (2) Clegg, H., *Industrial Democracy and Nationalisation*, London 1951, p. 131. A controversial discussion of this approach has been published by Blumberg, P., *op. cit.*, chapter 7.

Much of the discussion has centred on the experience of the codetermination system practised in the *Federal Republic of Germany*. (1) The German trade union attitude towards the system of codetermination is clear. "The only way for the workers to have a real say is to secure adequate representation in the managing bodies." (2)

This approach is based on a fairly long experience with codetermination. The DGB believes strongly that the system should be extended: "All empirical enquiries have confirmed that one-third workers' participation on Supervisory Boards does not permit an adequate influence on policy." The DGB often compares this one-third representation with conditions in the coal and steel industry. "Equality of representation — parity — has proved its worth in practice in coal and steel.

Equality is also justified by normative considerations: "if the enterprise is regarded as a cooperative effort of various people in the utilisation of the means of production, then workers and shareholders must bear equal risks and have equal chances; that calls for equal rights and obligations." (3) The DGB conclusion is that limitation of the codetermination system to the coal and steel industries can no longer be justified in any way whatever. (4)

Codetermination should therefore be made applicable to any enterprise which conforms to two of the following three criteria: a work force of 2000, a total balance of DM 75 million or an annual turnover of DM 150 million. (5)

The DGB also has put forward proposals for workers' participation in the running of the European companies which are now being formed in the European Economic Community. (6) According to DGB the creation of European companies will mean a concentration of economic power to an unprecedented extent and this "will constitute a considerable threat to the interests of the workers... The German trade unions are convinced that codetermination can form a certain counterweight here and thus help to control economic power." (7) The German view is that the following minimum conditions must be met:

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- (1) By a law of 1952 the workers appoint one-third of the members of the supervisory board in all private or public enterprises of a certain size having such boards, with the sole exception of one-man business and family concerns. Another law (1951) applies to the mining and iron and steel industries, but only in enterprises which employ at least 1,000 workers: here workers' representatives are elected to the supervisory board in the same number as the shareholders. This law also gives workers the right to appoint a so-called labour director. The director is appointed by the supervisory board upon the recommendations of the unions and the works council.
 - (2) Muhr, G., Vice-President of the German Trade Union Federation, *Power to the People*, Free Labour World, July-August 1971, p. 8.
 - (3) *Codetermination - A Contemporary Demand*, DGB, Düsseldorf 1966, p. 24.
 - (4) Ibid.
 - (5) Ibid.
 - (6) See more about European Company and multinational companies in chapter VI.
 - (7) DGB proposals for workers' participation in the running of European corporations, February 1969.

- a) the workers' representation on the supervisory board must be just as strong as that of the shareholders;
- b) the trade unions must be allowed to play a decisive part in the selection of workers' representatives from outside the enterprise.

The DGB also emphasises that one member of the board of management, the labour director, should be responsible exclusively for personnel and social questions. He should be duly competent and qualified to look after the interests of the personnel and should enjoy the confidence of the majority of the workers' representatives on the supervisory board. (1)

In *Austria* too there is trade union pressure for more workers' representation in supervisory bodies. The Austrian Federation of Trade Unions (ÖGB) claims that in all enterprises which conform to two of three criteria (more than 500 employed, a total balance of 100 million shillings or an annual turnover of 200 million shillings) there should be equal representation in the supervisory body. (2) The proposed system is almost identical with that in the German coal and steel industry.

The trade unions in the *Netherlands* are in favour of workers' participation at the top level of the enterprise. A joint programme of the three Dutch national trade union centres (NVV, NKV, CNV), published in 1967, says that "the composition of the board of directors must reflect the interest both of the suppliers of capital and of the workers" and that "the workers, just as much as the shareholders, must have the right of investigation. They must be entitled to exercise this right if they have justified doubts as to the efficient management of the undertaking and the smooth running of operations". (3)

The three trade union federations propose that "Two-thirds of the board must be elected by an equal number of representatives of the shareholders and of the members of the central works council. The directors elected in this way jointly elect the remaining one-third." (4)

The *Swiss Labour Federation* (SGB) also places much emphasis on workers' participation in supervisory bodies within the enterprise. In their programme, published in September 1971, the SGB said: "Codetermination in supervisory boards is of vital importance for the workers as the trade unions because on that level many policy-decisions are taken and such decisions should no longer escape the workers' influence." (5) The SGB believes this form of participation would contribute to better decision-making and efficiency. The objective is parity representation in supervisory boards within enterprises in the private sector. (6)

(1) Ibid.

(2) Wisshampt, W., op. cit., p. 54.

(3) *ICFTU Economic and Social Bulletin*, July-August 1967, p. 16.

(4) *Programme of Action for 1971 to 1975*, NVV, NKV, CNV, March 1971, pp. 15-16.

(5) *Mitbestimmungsprogramm des SGB*, presented in the SGB periodical, *Gewerkschaftliche Rundschau*, No. 9, September 1971, p. 248.

(6) Ibid., p. 249.

The Confederation of Salaried Employees in *Finland* (TOC) has also come out in favour of workers' participation at the top level. "There should be a considerable representation of both manual workers and salaried employees in supervisory bodies and preparations for this should be undertaken." It has added, however, that this is not a primary aim for the moment. (1)

In the *Scandinavian* countries the attitude of the trade union movement towards workers' representation at higher management level has traditionally varied from cautious hesitancy to basic opposition. There are recent indications, however, that new thinking is taking place.

In *Sweden*, a 1970 report by the Central Organisation of Salaried Employees (TCO) on democratisation of work, said that on earlier occasions the organisation had been negative, or at least dubious, about securing influence for the workers through board representation. "Another view has, however, grown up with demands for more equitable participation for the labour force in accordance with increasing knowledge and growing trade union power and responsibility." (2) This is the background to the TCO's present demand for workers' representation on the company board in both the private and public sectors. For the moment parity representation on the German model is not sought, but it is felt that at least two representatives should be selected by the local trade union organisation.

The Swedish Trade Union Confederation (LO) has argued on the same lines: "Although this idea (i.e. representation on the board) has in the past had a rather lukewarm response from the trade union movement, in the long run it becomes increasingly clear that a practice whereby workpeople and their representatives are excluded from the most important decision-making bodies in the firm, is unsatisfactory. We shall probably therefore finally opt for a formal system of workers' representation on the board." (3)

The LO programme on industrial democracy, adopted in September 1971, clearly stresses the demand for a minority representation of workers on the boards. It also calls for the right to nominate a financial controller in each enterprise. (4)

Statements stressing the need for top-level participation are also being made in *Denmark*. A report prepared for the Danish Federation of Trade Unions (LO), emphasised the vital importance of workers' participation in management for influencing the company policy. In connection with amending company law, the report considers as a minimum demand that the workers should have one-third of the seats on the boards of enterprises. It adds that in many large enterprises the influence of

(1) ICFTU questionnaire.

(2) *Democratisation of Work*, report adopted at the Congress of the Central Organisation of Salaried Employees (TCO) Stockholm 1970, p. 33.

(3) Geijer, A., President of the Swedish Trade Union Confederation (LO), *Industrial Democracy in the Seventies*, speech made in January 1971.

(4) *Democracy within the Enterprises*, report to the LO-Congress, Stockholm 1971, p. 131.

the board is being reduced and taken over by employed experts. Consequently, there should also be a representative of the workers in the day-to-day management of the enterprise. (1)

The day-to-day shop-floor aspects of participation have been exhaustively discussed in *Norway*. (2) However, the interest in day-to-day problems is by no means seen as a substitute for more indirect forms of representative influence. The common trade union approach is that top-level influence is necessary as a natural complement to lower-level influence, in order to cut through the power structure of enterprises. The Norwegian Federation of Trade Unions (LO) has recommended the creation of a new enterprise body — an enterprise advisory assembly — located between the board of directors and the shareholders. The workers would have one-third of the seats in this enterprise assembly, and it would deal with important policy matters, such as election of the executive board and appointment of the general manager.

The Norwegian LO adds that the government will propose changes in the legislation on joint-stock enterprises in accordance with the claims of the trade unions. (3)

Some other unions also favour top-level participation. “Our organisation”, says the *Pakistan* National Federation of Trade Unions, “desires and has said that workers, being directly interested in the prosperity of the enterprise, should be given representation on bodies managing the affairs of the enterprise.” (4)

The *Ceylon* Workers Congress has pointed out that “There should be consultation between workers and management at all levels of production. From the lowest level to the board room. Representatives of the workers should also have a hand in formulating plans and thereafter in their execution.” (5)

The Federation of *Turkish* Trade Unions has said that the representation of workers in supervisory bodies in the enterprise is established by collective agreements both in state enterprises and the private sector. As far as the board is concerned the organisation always asks for equal representation. (6)

The reply of the General Federation of Labour in *Eretz Israel* (Histadrut) must be seen in the light of the whole network of enterprises established by the Histadrut. (7) The Histadrut emphasises that

(1) Danish Labour News, published by the Danish Federation of Trade Unions, September 1971, No. 68, p. 9.

(2) See Emery, F. E. & Thorsrud, E., *Form and Content in Industrial Democracy*, London 1969, pp. 1-30.

(3) ICFTU questionnaire.

(4) Ibid.

(5) Ibid.

(6) Ibid.

(7) The Histadrut-owned sector of the economy, together with the kibbutzim and cooperatives, amounts to approximately 25 per cent of the Israeli national economy.

“ We are not satisfied with representation on boards of directors only. In our view the effectiveness of participation will depend on the part it plays in the actual management of the undertaking — i.e. its decision-making process on the spot.” (1)

In the cases summarised above, trade union policy has primarily been in favour of workers’ representatives in supervisory bodies within the enterprises. The policy in other cases is, however, under review and thus it is doubtful if it is possible to speak of a definite “ policy ” at this point.

The *British* TUC replied that : “ All aspects of industrial democracy are currently under review by a TUC General Council working party.” (2) However, it should be mentioned that the TUC has favoured greater participation by workers in the management and administration of all sectors of trade and industry. In particular it claims that : “ Such participation should include trade union representatives on management boards of nationalised industries, public authorities and colleges.” (3) In 1968 the TUC adopted resolutions urging government implementation of the principle of industrial democracy, including workers’ representation in supervisory boards of publicly-owned enterprises and statutory public authorities.

In the British context the nationalised sector is often referred to. After the Second World War the Labour government nationalised gas, coal, electricity, rail and part of road transport. A special clause introduced the right of workers’ representatives to take part in the decisions of the company. Former leading trade unionists were appointed to all the major boards. It was explicitly stated in respect to these appointments, however, that the men concerned were ordinary board members and not in any sense representatives of outside interests.

The *Canadian* Labour Congress in its reply indicated that it had no definite policy on this special point at present. The problems of industrial democracy will be discussed in detail during 1972. (4)

In some countries there is trade union opposition to this form of workers’ participation. The Italian Trade Union Federation (CISL) underlines the need to maintain autonomous unions, free to bargain collectively. “ The CISL is generally speaking opposed to workers’ participation in supervisory bodies because we do not consider it to be an effective organ for participation in contemporary Italy. The fact that workers in a market economy are institutionally represented in a company organ does not change the fact that the profit motive is the most important factor for the company. The problem of workers’ participation

(1) ICFTU questionnaire.

(2) Ibid.

(3) Ibid.

(4) Ibid.

is solved through an appropriate bargaining policy which includes all aspects of labour relations and working conditions as well as investment and development policy. However, the problem of more effective negotiation remains. A system is therefore needed which allows for better and more complete information without compromises or changing positions of responsibility. We believe that we can solve this problem through an expansion and intensification of trade union working methods, partially on a general level and partially on the company level." (1)

The FGTB in *Belgium* believes that workers' participation in supervisory bodies poses possible risks of trade union integration in enterprises. A free and independent position for negotiation must be maintained. In January 1971 the FGTB held a congress which emphasised the organisation's determination never to accept integration into capitalist society. Instead the FGTB said that it would build a socialist and democratic order. (2) To this end all trade union activities for "workers' control" must function as springboards for transforming the economy. Workers' control, as the FGTB sees it, means the unions being fully informed before economic decisions are taken and of having the means of contesting them and of making counter proposals. (3)

In *France* the trade union attitude towards workers' participation in supervisory bodies appears to be similarly reserved. The reply from the Confédération Générale du Travail - Force Ouvrière (CGT-FO) refers to statements that underline the risks of being integrated with the enterprise. The implication is that if trade unions were to participate in company management, then this would very quickly lead to a new kind of trade union movement. (4)

Problems Arising from Participation in Supervisory Bodies

Among the problems arising from workers' participation in supervisory bodies within the enterprise we shall here briefly focus on two :

- 1) the role of workers' representatives
- 2) the degree of participation.

1) The role of workers' representatives

Role-conflicts which may arise between workers and their representatives, as well as between representatives and managements, are of considerable importance and the trade unions should be prepared, both in theory and in practice, to counteract them. Unfortunately, there does

(1) ICFTU questionnaire.

(2) Genot, A., National Secretary of the FGTB, *Belgium Breaks New Ground in Workers' Education*, Free Labour World, December 1971, p. 11.

(3) See : *Conseil d'Entreprise*, op. cit.

(4) Louet, R., Secretary of the CGT-Force Ouvrière, *La Participation dans l'Entreprise*, CGT-FO, July 1969, p. 20.

not seem to be any simple solution to these problems. Practical experience of workers' participation within supervisory bodies may however provide answers to some of the questions.

Compared to what is known about works councils, material on supervisory bodies is rather scarce. However in several countries the central trade union organisations have adopted positive attitudes towards workers' participation in supervisory bodies; thus practical experience should eventually be available. It would be useful if different schemes for top-level participation were followed up and evaluated, so that the accumulated knowledge could be distributed between countries. Such observations could provide a basis for solutions to common problems.

The importance of solutions to similar problems was expressed in a recent study in the following terms: "The resultant forces in the situation we have explored tend to push the representative into the role of an ordinary board member. On balance it is easier for him to avoid playing the part of a representative than to play it. Furthermore, his constituents seem less active in pressing for allegiance to their interest than are the other members of the board in asserting its requirements. Examining the evidence of those who have occupied this role, we find that they have generally changed their outlook towards that of a board member and have tended to find participation easier the further they have developed this outlook." (1)

2. *The degree of participation*

The degree of participation achieved by various forms of representation on supervisory bodies should also be studied. It has been shown that "democracy in the boardroom" does not necessarily change the degree of participation at the place of work. On the other hand, both Dutch and Norwegian research indicates that if a high degree of participation at the place of work is to be lasting and worthwhile it must be accompanied by democratisation of the whole structure of the enterprise.

In Norway the degree of participation has been found to be heavily dependent on the level at which it is first introduced. Change must begin on a level where a large proportion of workers are both able and willing to participate. The crux of the problem lies in the fact that in the day-to-day work of the enterprise there is too low a level of individual participation. Without some higher degree of participation at this level, it seems unlikely that enough interest will be generated to sustain the sort of difficult and extended effort required to work out policies within supervisory bodies. (2)

(1) Emery, F.E., & Thorsrud, E., *Form and Content in Industrial Democracy*, London, 1969, pp. 68-76. The book is based on an examination of experiences of workers' participation in supervisory bodies in various European countries.

(2) *Ibid.*, p. 30 and p. 86.

V. CAPITAL - SHARING SCHEMES

The economic function of the enterprise is one of the main areas of decision-making. Workers' participation in this area has always been considered a matter of particular interest.

As shown in chapter III, works' council systems may not in general provide much participation in the economic field. Participation, especially in long-term or general economic decisions, is on the whole limited to communication of account statements, balance sheets and information on the general state of affairs. This is important because if workers' participation is to be effective, deep insight into, and current information on, all the main factors which shape the enterprise's economic policy is required.

The trade union view of participation in the economic field is virtually unanimous. Criticism of poor information and/or insufficient participation in economic decisions is common. A significant statement was recently made on this point by the Danish Federation of Trade Unions (LO). "Even if much has been done over the years towards the democratisation of society and the place of work, it is clear that on questions of an economic nature there has been a development in the opposite direction, in other words, towards less democracy rather than more". (1)

In view of this kind of development the demand for the democratisation of economic matters is today stronger than ever. Decision-making must be altered so as to stop the concentration of wealth. This concentration, it is said, leads to concentration of political as well as economic power. An underlying assumption is that the workers' participation in economic decisions is closely linked with their possible participation in the results of the enterprise's activities. However, it is important to emphasise that a capital-sharing scheme does not necessarily entail participation of workers in decisions, since the scheme may be established and put into operation solely on the initiative of the employers (2). Trade unions undoubtedly have had different experiences and conceptions of capital-sharing schemes, and in order to be able to cover this important aspect of participation, a special question on capital-sharing was formulated in the questionnaire as follows: "In certain countries capital-sharing schemes are operating or under discussion. Has your organisation expressed any opinion concerning the ideas of capital-sharing schemes? What are the main points expressed?"

A trade union proposal for such a scheme will be presented in more detail on page 54. Drawn up by the Danish Federation of Trade

(1) *Economic Democracy*, proposal from the Danish Federation of Trade Unions, Copenhagen 1971, p. 15.

(2) For more information about capital-sharing and trade unions see: *Workers' Negotiated Savings Plans for Capital Formation*, Regional Trade Union Seminar, (Florence, 23-24 May 1967). OECD, final report, Paris 1970. See also: *Report on the Meeting of Trade Union Experts on Workers' Negotiated Savings Plans for Capital Formation*, OECD, Paris 1971.

Unions, it makes a clear connection between capital sharing and workers' participation in economic matters.

Some Trade Union Attitudes towards Capital-Sharing

Experiences and conceptions of capital-sharing schemes vary considerably. This fact was reflected in the replies to the questionnaire. One of the national centres which was critical of capital sharing was the *Norwegian Trade Union Federation (LO)*: "The Norwegian trade union movement has never supported the idea of workers' shares" One has to draw the line between capital and labour. The influence of the employees will become effective with their participation in management." (1)

The reply from the *Swedish LO* points in the same direction: "The introduction of capital-sharing schemes has been successfully opposed by the unions." (2)

A more cautious general view, although still critical, is expressed in the reply from the *Confederation of Salaried Employees in Finland*: "In the long run capital-sharing schemes might develop as one form of workers' participation, but at the moment we rather see it as another incentive system... One drawback is that the workers get quite a different share depending on which type of industry they work in." (3)

At the moment there is very little experience of experiments in capital-sharing schemes in the Nordic countries.

More practical experience seems to be available from the North American continent, and in view of this the *Canadian* response is of some relevance. The *Canadian Labour Congress* says: "As a rule almost all unions have opposed such a policy." (4) The *United Mine Workers of America* in their reply indicate that they have not expressed any opinion on capital-sharing.

In several countries on the European continent a long and occasionally intense discussion has raged over how to change the distribution of wealth. In many cases practical schemes have been put forward. *Italy* is one of these countries, although there are no immediate trade union proposals for action. The *Italian Trade Union Federation (CISL)* underlines that capital-sharing schemes do not solve problems of participation in a satisfactory manner. The CISL's criticism is centred on the fact that the systems often give individual rewards and are therefore a means for worker integration in the enterprise. The CISL points out that capital-sharing schemes are often recommended by the employer as a means for achieving industrial peace.

The CISL is of the opinion that the small share-holders in large companies do not have any decisive influence upon management. The

(1) *ICFTU questionnaire*.

(2) *Ibid.*

(3) *Ibid.*

(4) *Ibid.*

present level of wages in Italy is not conducive to retaining a portion of them in the form of shares in the firm instead of paying the full sum directly to the workers. In any case, the workers' savings should not be used within the enterprises where these workers are employed, but should instead be put to use in accordance with the general demands of economic and social development proposed by the trade unions. (1)

A critical approach was also expressed in the reply from the Federation of *Belgian* Trade Unions (FGTB), which emphasised that capital sharing schemes did not exist. The FGTB had opposed every form of wage-policy designed to make wage increases dependent upon economic relationships that were the result of the employers' leadership of the enterprise. (2)

A basically critical standpoint is also taken by the Confédération du Travail in *Luxemburg*: "Direct participation in profit is a double-edged sword". (3) One motive advanced for this standpoint is that poor management or speculative manipulations cannot be allowed to influence wage increases. The same motive was mentioned by the FGTB.

In *France* a law passed in 1967 made workers' profit-sharing obligatory in enterprises employing more than 100 workers as soon as the enterprise shows a profit. (4) The trade unions had not pressed for this scheme, and the National Secretary of the CGT-FO wrote in 1971: "The law has not brought about any innovations, despite its name and statistical consequences in the matter of participation by the wage earners in the functioning of the enterprise. Its (and the government's) essential motives are the promotion of auto-financing by business concerns and enforced savings by the workers. In fact, the workers' situation cannot be fundamentally altered by applying legislation whose targets are the effects and not the underlying causes of his alienation. He still sells his labour in accordance with the laws of the market. About his firm the only things he knows are the contents of his wage-packet, and — if his works council is efficient — the company's overall output and balance-sheet. What happens in between remains — and is deliberately kept — a mystery to the man on the factory floor. If this is so, how can one talk of participation, of sharing in management, or whatever the current slogan is?"

The CGT-FO has in view of this found it preferable instead to give the highest possible priority to the development of collective bargaining at all levels: "Despite certain setbacks, experience and achievements

(1) ICFTU questionnaire.

(2) Ibid.

(3) Ibid.

(4) There are three forms of funds in which the workers' entitlement may be deposited: (i) allocation of shares in the enterprises; (ii) deposit in a fixed-interest form of blocked investment in the enterprise; (iii) payment to an outside unit-trust type organisation acting for more than one enterprise. The CGT-FO has advised their members to select method (iii) and to this end the CGT-FO has created a company to manage their holdings.

have shown that there is much more to be won for the workers through collective bargaining than by so-called profit-sharing contracts.” (1)

In summary, the CGT-FO's view is that the French scheme was not established to give workers and their organisations any participatory rights in the decision-making process within enterprises : the scheme in no way affects the rights of the employer to take such decisions as he has previously taken.

Development of collective bargaining is also of high priority for the *British TUC* : “ Collective bargaining might be extended to provide for direct trade union ownership and control of part of such (i.e. capital) assets.” (2)

The *German Trade Union Federation (DGB)* can be counted among the present supporters of capital-sharing. Discussions on this subject have been going on since the beginning of economic reconstruction after the Second World War, though the DGB is not satisfied with the results. “ Government and political parties, the churches, employer associations and countless individuals have all come forward with opinions and models to add to the general debate. The fact remains, however, that on close examination many of these ' plans ' leave the heart of the problem untouched...” (3)

The DGB is attempting to establish a scheme for capital-sharing; it has stressed that it does not consider demands for capital-sharing conflict in any way with the demands for codetermination (described in chapters III and IV). (4) The claim for equal institutional participation exists independently and alongside demands for a fair share of productive wealth.

The DGB considers that the only way to make progress in this field is to employ many different measures, for capital-sharing is only part of a larger aim. It is suggested that : “ parallel with state savings promotion and industrial agreements on capital payments, there should be a general, as opposed to single-company, profit-sharing scheme.” (5) It is obvious that it is only through such overall solutions that one can eventually come to grips with a variety of problems.

In a joint programme, published in 1971, the three trade union federations in the *Netherlands* criticized the unfair economic condition of the country : “ There are so far linked with economic property — directly or indirectly — disproportionately large powers of participation in relation to the firm and the personnel working in it.” The Dutch trade union movement is pressing for the introduction of measures to prevent the misuse of economic power. No clear link is seen in the programme

(1) Louet, R., *Financial Participation - Change or Illusions for the Ordinary Man ?* Free Labour World, June 1971, pp. 8-10.

(2) ICFTU questionnaire.

(3) Schumacher, E., *Economic Democracy via Workers' Capital*, Free Labour World, February 1971, p. 15.

(4) ICFTU questionnaire.

(5) Schumacher, E., op. cit., p. 18.

between such measures and capital-sharing schemes, though there is no doubt that the trade unions support the idea of capital-sharing schemes. They stress the need to stimulate the sharing by workers in the national growth of wealth. In order to achieve this they mention the following systems: "capital-gain sharing, investment wages and saving and profit-sharing systems." (1)

The correlation between workers' participation in economic decision-making and the distribution of wealth has been rather more clearly defined in a codetermination programme of the Swiss Trade Union Federation (SGB). Participation must take personnel and social matters as well as economic and financial questions into consideration. (2) The conclusion is that a certain amount of participation can be realised through capital-sharing schemes. The accumulation of shares by workers entitles them to participate in decision-making in their capacity of shareholders. It is added, however, that this type of participation should not be over emphasised, because small shareholders have generally very little influence. The SGB emphasises in any case that these questions are going to become more important for trade unions in the future. (3)

In *Austria* the trade union movement has also adopted statements in favour of some sort of capital-sharing. The Austrian Federation of Trade Unions (ÖGB) is of the opinion that capital-sharing would contribute to a more equal distribution of the economic wealth. (4) A report prepared for the ÖGB Congress in September 1971 recommended the creation of a central capital-sharing and investment fund. (5)

It is doubtful if these Austrian demands can be directly linked with demands for workers' participation in decision-making within the enterprise. The motivation, as in several other countries, appears to be based on clearly economic conditions and seen as an element in wage policy.

There are of course many countries outside of Europe where trade unions advocate some sort of capital-sharing scheme. A positive attitude to such schemes was expressed in the replies from Ceylon, Israel, Pakistan and Turkey.

The *Ceylon Workers' Congress* replied: "Workers should be entitled to a share of profits. The amount should be decided by both the employers and the workers. This would bring in a new approach of the worker to his workplace, in addition to the incentive of participating in profits." (6)

(1) *Programme of Action for 1971 to 1975*, Consultative Body of NVV, NKV, CNV, March 1971, pp. 14 and 27.

(2) *Mitbestimmungsprogramme des SGB*, presented in the SGB periodical, *Gewerkschaftliche Rundschau*, No. 9, September 1971, p. 245.

(3) *Ibid.*, pp. 250-251.

(4) ICFTU questionnaire.

(5) *Vermögensbildung in Arbeitnehmerhand*, Arbeitskreis 3, report prepared for the ÖGB Congress, September 1971, p. 12.

(6) ICFTU questionnaire.

The reply from the General Federation of Labour in *Eretz-Israel* (Histadrut) reflects the special position of the Israeli trade union movement: "Last year (1970), the Histadrut Industrial concern "KOOR" distributed three million Israeli pounds among workers of 13 enterprises which finished their financial year with a surplus. The Histadrut Economic Department and Workers' Participation Department are now preparing the detailed profits-sharing plan for industrial and building enterprises." (1)

The *Pakistan* National Federation of Trade Unions (PNFTU) refers to a Profit-Sharing law from 1968. The PNFTU says that, in order to develop a sense of ownership partnership within enterprises, the federation has expressed the opinion that workers should be made partners in the enterprise by purchasing shares of at least twenty percent of the capital. (2)

Finally, the Federation of *Turkish* Trade Unions said that "capital-sharing schemes are being thought of in our organisation today." But "so far, capital-sharing schemes have not been operated or implemented either in the private sector or in the state enterprises in our country. However, in accordance with requests and demands of our organisation, there are possibilities for the application of capital-sharing schemes within the enterprises which might be established in the future. (3)

A Commentary

In the light of the foregoing, some brief comments can be made.

First, trade unions seem to agree that existing methods of distributing wealth have been insufficient or ineffective in achieving their goals. This has naturally stimulated quite intensive union criticism of an economic development which results in an ever-increasing concentration of capital. For the trade union movement this economic concentration is all the more important because it affects the right to decide over the means of production.

Secondly, discussions on this subject have resulted in countless plans and schemes for redistribution of economic wealth. Some of these schemes have been on trial for several years now. (4) Experiences however are far from positive. In some cases the best that can be said is that they have prevented any marked worsening of the situation.

Thirdly, there are differences of opinion in the trade union movement on the subject of capital-sharing schemes. Some trade unions are in principle opposed to capital-sharing. Other unions are in favour, though often with reservations of primarily a practical nature.

Fourthly, as was noted at the beginning of this chapter, a capital-sharing scheme does not necessarily entail participation of workers in

(1) ICFTU questionnaire.

(2) Ibid.

(3) Ibid.

(4) For example, in the Federal Republic of Germany and France.

decisions. Several observations made here have indicated this fact. It is clear that participatory aspects in some schemes have been treated as subsidiary questions. This is unfortunate since such aspects are of vital importance for the future interest in capital-sharing schemes among working people and trade unions.

However, some trade union proposals are as much concerned with the effect that the capital-sharing scheme will have on the distribution of power and decision-making as with the distribution of wealth in economic terms. A new proposal from the Danish Federation of Trade Unions, for example, fully recognises the need for greater influence in the enterprises as well as the need for economic democracy. The Danish proposal sees the scheme as a road towards industrial democracy. This is the main reason for discussing the Danish proposal in detail here.

A New Trade Union Proposal

“It is increasingly recognised in wide circles that the existing inequality in the distribution of ownership rights to the means of production and to capital is undemocratic, and that ownership rights are connected with power and influence. Democracy means co-influence and codetermination for a maximum number of people, both in the production process and in society. Consequently, economic democracy means the entire influence of society on the economic conditions...” (1)

These extracts briefly describe the background and some motives behind the Danish proposal for the setting up of a “Wage-Earners’ Profit and Investment Fund”, which was adopted by the Danish Federation of Trade Unions (LO) at their congress in May 1971.

In their proposal the LO argued that it is necessary for workers to influence decisions in the enterprise itself. One way of doing this would be to create a general fund connected with each individual enterprise. Such a fund would fulfil the dual function of giving workers both influence and a share in capital growth, and providing industry with the risk-bearing capital needed.

The Wage-Earners’ Profit and Investment Fund should be established by statute since the LO believes that it would be extremely difficult to introduce such a scheme by agreement between both sides of industry.

The main principle of the proposal may be described as a general capital-sharing scheme. The Fund would cover all Danish wage-earners, irrespective of their place of employment. All employers, private as well as public, would contribute to the Fund at the rate of 1 percent of

(1) *Economic Democracy*, extracts from a report prepared by an LO committee, Danish Labour News, No. 68, September 1971.

The enormous concentration of economic wealth and decision-making power has been documented in many countries. The following figures are just one example. A Danish statistical survey from 1966 shows that 10 percent of the taxpayers own 62 percent of the private wealth. Among this 10 percent the distribution of wealth is even more unequal — if that is possible: it was shown namely that 0.7 percent of the taxpayers own 23 percent of all Danish private wealth.

their wage bill in the first year, increasing annually by 1/2 percent until the contribution to the Fund reached a stable level of 5 percent of total wages. This level would be reached after eight years. (1)

The amounts paid into the Fund by the employers and the annual income from interest and dividends on capital invested by the Fund would be the property of the wage-earners. This property right would be secured for the individual through the issue of personal certificates for equal shares in the total capital of the Fund. Unlike many other proposals, the wealth assets would be divided equally and would not reflect existing differentials in incomes between wage-earners.

In the case of limited liability companies or cooperative societies the entire contribution would remain invested in the enterprise. The wage-earners' capital would take the form of shares which would have a claim on annual profits on an equal footing with other types of holding. In other enterprises part of the compulsory payments to the Fund could, by arrangement with the Fund, remain invested in the enterprises as special wage-earners' capital.

The portion of the Fund not invested in the enterprise as a special wage-earners' capital would preferably be placed in active investment, that is in such a way as to obtain a share in general capital growth.

The Fund would work in cooperation with the trade unions, and would be managed by a council composed of the various organisations of wage-earners, and by a board of five members of which four would be elected by the council and one appointed by the state. Local and branch committees made up of representatives of workers (shop stewards) at the enterprise level and from the trade unions would be established in association with the Fund. The task of these committees would be to advise on matters related to the placing of resources in the Fund. In this way the individual worker would be encouraged to participate in the activities of the Fund.

In order to extend participation "the wage-earners" capital should form the basis of the extension of direct democracy in the enterprises in question. In limited liability companies and cooperative societies the wage-earners' capital should be represented on the board in proportion to the share of the wage-earners' capital in the total voting capital (a minimum of one member). At the general meeting of a limited liability company or a cooperative society the wage-earners' capital should be represented by a number of representatives elected by all the employees of the enterprise in common. Similar rules should apply to enterprises which are organised as companies of a type other than limited liability companies and cooperative societies. In one-man firms the wage-earners'

(1) Some estimates of the economic effects of the fund have been made. After five years the fund would have assets of about 5 percent of GNP and by the fourteenth year the fund's assets would stabilise at about 12.5 percent of GNP. The growth of wage-earners' capital in the individual enterprises would vary according to circumstances, but in general it would constitute a strongly increasing proportion of the companies' overall capital. After twenty years it is estimated that about 26 percent would be in the hands of the wage-earners.

capital should be represented by the workers' representatives in the joint consultation committee (works council)." (1)

The LO's comprehensive proposals also cover information and education. For example, it is proposed that if democracy is to have a chance of developing into real codetermination and co-influence the workers should have the right means at their disposal. Therefore, an amendment of company law is necessary in order to provide extended possibilities for workers to obtain information about accounts of their enterprises and other economic problems. The education of union representatives and shop stewards is particularly important. Workers should be able to receive independent assistance from experts in analysing the accounts and other economic arrangements of the enterprises. It is therefore proposed that the Fund should set up a special research institute.

This short presentation of the new Danish proposal shows the Danish emphasis on participatory aspects. In a final remark the Danish Labour News expressed this approach in the following terms: "A change is needed. The old capitalist attitude must come to an end. Democratisation of capital growth must be used as a lever to obtain extended democracy in the enterprises on the basis of codetermination and co-influence". (2)

The growing trade union interest in the subjects of ownership of wealth, economic democracy and workers' participation clearly reflects this need for rapid changes. The serious problem, however, is to find new techniques and methods that ensure progress. Perhaps the comprehensive new Danish proposals will contribute to the trade unions' attempts to achieve their democratic goals.

"It may be that the Danish proposals will, in time, come to be regarded as the most desirable way of dealing with this subject." (3) This conclusion was drawn in a report on capital-sharing schemes from OECD. Future developments will show if this conclusion is correct.

VI. FUTURE DEVELOPMENT

Constant kaleidoscopic changes make it difficult to describe, without too much simplification and vagueness, current conditions and especially future developments. Predictions in the field of industrial relations in an international perspective is certainly a hazardous matter.

To some extent, future developments have been touched upon already in previous chapters. Trade union statements concerning various forms of workers' participation (works councils, supervisory bodies, capital-sharing schemes) have, explicitly or implicitly, revealed some of the coming trends. From previous descriptions it is overwhelmingly apparent that trade union interest in workers' participation within enterprises is

(1) *Economic Democracy*, op. cit., section 10, pp. 38-39.

(2) *Economic Democracy*, Danish Labour News, No. 66, December 1970, p. 10.

(3) *Report on the Meeting of Trade Union Experts on Workers' Negotiated Savings Plans for Capital Formation*, OECD, Paris, 12 March 1971, p. 27.

increasing and that several unions are struggling for thorough-going democratisation on this level.

The trade union demands for increased workers' participation, in other than strictly economic terms, must be seen as an expression of the new philosophy spreading throughout society today : the need for direct involvement of people in the institutions and organisations which determine their lives. Such demands are a logical consequence of the stage of development at which many countries find themselves. This stage can be briefly characterized by the following points :

- a) *Increased knowledge.* More and more people are receiving a longer period of education. Efforts are at the same time being made to teach people how to examine and evaluate knowledge critically. Consequently, the educational situation has become less and less authoritarian, while individual expectations have increased amongst the labour force.
- b) *Technological changes.* Technology is moving towards a high degree of creativity with automation increasingly being substituted for routine manual labour. The production process is set up in such a manner that less personnel is necessary, while systems for service and maintenance require more. These technological changes heavily affect things like social structure and control systems in working life.
- c) *Increased material wealth.* Economic expansion has, at least in the industrialised countries, created certain possibilities for freedom of choice. The majority of the people in these societies seem to have their *material* demands fairly well satisfied. The means of obtaining and the end result of this economic expansion is however being increasingly discussed and questioned.
- d) *Change in values.* The group of changes which has, in spite of everything, gained the most attention is the change in values. There has been an almost dramatic change, based upon increased knowledge, technological changes and increased material wealth. The attitude towards workers' participation has thereby been influenced. Demands for participation have in many countries become stronger, and all indications point to the fact that they will become even more pronounced in the future.

It is quite clear, especially in view of the response to our questionnaire, that an increasing number of trade unions are conscious of the need for workers' participation. The demands for participation are not only interpreted in economic terms, but are aimed at direct participation in matters related to personnel, organisation and production. In the long run codetermination in such questions must be guaranteed, otherwise industrial relations will suffer from constant crises.

A Belgian trade unionist has said that wage claims act, in the majority of cases, only as detonator to an already explosive psychological situation in the enterprise. What then happens, all too often, is that a rise in earnings is used as a means of buying off pressure for other,

more fundamental, changes, and the real difficulties are left untouched, needing only the slightest friction to bring them to the surface again. (1)

“A change is needed” as the Danish LO declared in their new proposal.

Trade Unions and Future Developments

In the questionnaire national centres were asked: “What is the opinion of your organisation concerning developments of workers’ participation in general?” The replies can be analysed under three main headings:

- Interest in *extended workers participation* within the enterprise
- Interest in *experiments* with various forms of workers’ participation within the enterprise.
- Interest in an *extended area of collective bargaining*

Extended workers’ participation. Direct replies as well as enclosed documents clearly indicate the interest in and need for extended workers’ participation. Trade union claims show that workers’ participation within the enterprise has advanced to the centre of the industrial relations stage. Demands may be somewhat different but the widespread upsurge of interest in this matter is obvious and indicates a promising progress.

During the last two years several trade union centres have discussed in detail future policy on workers’ participation within enterprises (e.g. in Austria, Belgium, Denmark, France, Israel, Japan, Netherlands, Luxemburg, Sweden, Switzerland, Turkey). Moreover several unions are for the moment reviewing their policies (e.g. Canadian Labour Congress, the British Trades Union Congress).

This upsurge in interest should be seen in the light of the fact that it was not long ago since codetermination ceased to be merely an interesting experiment in the Federal Republic of Germany and in Yugoslavia.

Some brief examples will be given on this point of extended workers’ participation in order to illustrate what is said above. In the *Netherlands* the three trade union federations believe that the democratisation of enterprises, both in relation to the position of workers and the structure of the enterprise, should be stimulated in all possible ways. The same applies to services and undertakings of a cooperative nature and to government institutions. (2)

In 1971 a joint trade union initiative for codetermination was made in *Switzerland*. This is the first time that the Swiss Labour Federation (SGB) has undertaken joint political action with the two Christian trade union federations. The motive for this action was explained by the President of the SGB in the following manner: “Codetermination in the enterprise is a common trade union aspiration. To realize it will be difficult. We are sure to come up against opposition before long

(1) *Crises in European Industrial Relations*?, Free Labour World, May 1971, p. 18.

(2) *Programme of Action for 1971 to 1975*, op. cit., p. 14.

from the employers, and particularly the employers' organisations. For this reason a broad trade union front is all the more necessary." (1)

The Swiss trade unions demand extended codetermination in all areas and on every level: at the place of work, in the plant and in the administrative councils of all larger firms. The trade unions also demand codetermination because, in view of growing economic concentration and the resulting concentration of power in the hands of a few capitalists, they consider it essential to create a counterweight. (2)

Currently in *Sweden* there is also trade union collaboration in the area of extended workers' participation. This joint approach is based upon programmes for industrial democracy from the Swedish Trade Union Federation (LO) as well as the Central Organisation of Salaried Employees (TCO). These programmes are very similar. Both of them argue, for example, for extended participation within the enterprise. A main demand is that management's position of command must be replaced by a relationship based upon cooperation. All important decisions in planning and organisation, personnel matters and changes in the working environment must be made jointly by workers and management. (3)

The Confederation of *Turkish* Trade Unions replied that workers' participation within the enterprise is necessary for good industrial relations and they emphasise that participation on this level is a basic need for political democracy. But extended workers' participation is a difficult matter and its implementation within enterprises has been limited and unsatisfactory. (4)

The Turkish reply is not the only one that touches upon the difficulties in implementing new forms of industrial democracy. Several other organisations have mentioned various practical obstacles on the road to extended participation. This leads to the second point.

Experiments

It is increasingly evident that obstacles to extended participation must be met with various experiments. This seems to be a common argument among unions today. They are of the opinion that research and practical experiments with various forms of participation could point to future solutions.

For example, in the *Dutch* trade union action programme special attention is devoted to this sort of research. It is argued that, in order to arrive at conscious choices, experiments must be stimulated as far as possible. It should be possible, after careful preparation, to undertake real experiments with various forms of industrial democracy. In so far as such experiments do not concern institutions in the governmental sphere, they must be partially made possible with the support of govern-

(1) *Joint Trade Union Initiative for Codetermination*, statement made by the President of the SGB, Ernst Wüthrich, *Free Labour World*, June 1971, p. 25.

(2) *Ibid.*

(3) Programmes on industrial democracy published by TCO and LO in 1970 and 1971, *op. cit.*

(4) ICFTU questionnaire.

mental financial guarantees. In enterprises conducting experiments, the personnel should, together with the trade union movement, take part in decisions concerning the experiment as well as its shaping, changing and possible ending. (1)

The reply from the Trades Union Congress of *Norway* also refers to experiments. (2)

In the early 1960's there was a widespread feeling in *Norway* that the system of works councils was inadequate to guarantee workers real power in decision-making. In 1960 the First Secretary of the Trade Union Congress, Alf Andersen, said: "We must get further. In industry and business a true internal democracy has to be created where joint consultation and cooperation give the employees a stronger position than before." (3)

One method for meeting such demands has been that of supporting various experiments. For example, research projects with so-called "self-governed groups" have been started. This is part of a project under the joint sponsorship of unions and employers. (4)

These experiments can influence the policy of the main organisations. In this way their policy-making can be viewed as a learning process. Courageous, open-ended, practical experiments would contribute to more progress and would help trade unions to formulate their policies.

There is a wide range of questions that must be answered. It is not enough to experiment with various forms of supervisory bodies, works councils, etc. The research strategy should be broader and should include a series of starting-points: Changes on the shop-floor, job enlargement and new principles of job design, decentralisation of decision-making, new policies of training, new wage systems and changes in the bargaining structure. The common element would be the question of how to get more elbow room for learning, participation and local development.

The need for practical experiments can be illustrated by the reply from Histadrut, *Israel*: "We believe that workers' participation will take shape as it gathers experience and overcomes the unavoidable difficulties and obstacles of every beginning." (5)

Extended area of collective bargaining

Collective bargaining is often considered as the principal means for decision-making power in the enterprise. This is of vital importance as collective bargaining extends more widely through the economy (notably into white-collar and public employment sectors), and into broader areas of management.

(1) *Programme of Action for 1971 to 1975*, op. cit., p. 14.

(2) See chapter IV for some observations on the Norwegian experiments.

(3) Emery, F. E., & Thorsrud, E., *Form and Content in Industrial Democracy*, London 1969, p. 8.

(4) ICFTU questionnaire.

(5) *Ibid.*

Several unions have mentioned the need to build up effective enterprise-level bargaining systems. Their theme is the demand for increased intervention in internal management through a broadening of the bargaining area. The subject matter of collective agreements determines to a large extent the frontiers of union impact on management decision-making.

Demands and opinions of that kind have frequently been indicated in previous chapters, especially in connection with our description of works council systems. It was thereby shown that there is no well-defined and generally accepted demarcation between bargaining and non-bargaining areas. The somewhat unclear role of works councils on questions of conflict and cooperation illustrated that there are no "legitimate" or even logical frontiers to collective bargaining.

In the past it was often assumed that there was a great gulf between bargaining and non-bargaining areas. Thus in the area of non-bargaining various systems of consultation (e.g. works councils) were established. It has been argued that the idea of consultation gained most of its influence because unions and employers saw it as a useful device in gaining temporary advantages. "For the unions it was a chance to exert *some* influence outside areas that management was prepared to bargain about. For employers it represented a chance to gain *some* form of cooperation in the introduction of change, without the need to formally challenge doctrines of managerial prerogative." (1)

Perhaps this is part of the explanation behind the historical influence of consultation. However, the interesting fact is that there is a common criticism today of consultation as a method of supplementing collective bargaining. Such considerations have been noted in many countries. Some national centres feel that consultation is no longer of much use as a means of extending participation (c.f. the Donovan Report in the U.K.)

According to replies and documentation from the trade unions, future developments will probably be towards extending the area of collective bargaining. How far this extension will go is impossible to predict. Various traditions in the field of industrial relations will be decisive. But how far the impact of collective bargaining may go is shown by developments in American industrial relations. The special American tradition, characterised by an extremely broad spectrum of issues in the field of bargaining, indicates a continued extension of collective bargaining.

Besides extending the field of bargaining, there is a tendency in several countries to decentralise some collective bargaining. Bargaining at the enterprise level has of course important participatory aspects. One advantage of bargaining at the enterprise level is that more people must become involved in the bargaining process. Another advantage is that collective bargaining on this level will more accurately reflect actual conditions in the enterprise than agreements reached at higher levels. However, if decentralisation is to be a positive step, it must be combined with an expansion of union organisation at enterprise level. The union must also exercise a greater influence over, for example, works councils.

(1) McCarthy, W. E. J., *Collective Bargaining in Perspective*, published in a report from OECD, *New Perspectives in Collective Bargaining*, Paris 1969, p. 10.

Such a development characterises to some extent the situation in the Federal Republic of Germany, Britain and Italy.

The reply from the *Italian* Confederation of Workers' Union (CISL) is a good illustration of this dominant trend in collective bargaining. The CISL says that there is a trend in the whole system of industrial relations towards increasing decentralisation and a shift from the national level to the enterprise level. Furthermore, it is claimed that a more democratic relationship between the trade union and the workers is realized through factory meetings (a law of 1970 guarantees trade unions the right to hold such meetings) and through constant consultation with the workers during local and central negotiations. Union representation at the factory is strengthened and the right to genuine negotiation is ensured even at this level. (1)

A new Dimension

Finally, it should be added that the three main interest areas described above, (extended workers' participation, the increased interest in experiments and the extended area of collective bargaining,) were limited to future developments on a national level. However, as the structure of society and industry changes, development on a supra-national level will be of vital importance to the labour force. Industrial relations in the large multinational companies represent a new trade union challenge. The growing multinational companies add an entirely new dimension to workers' participation and future trade union action in the field of industrial democracy.

A growing number of trade unionists have expressed concern over the growth and power of the multinational companies. This concern was crystallised in a statement adopted by the ICFTU in 1971 on free trade unions and multinational companies. It was stated that the trade union movement is now confronted with a fundamental challenge arising from the phenomenal growth of multinational companies. "Trade unions which have achieved a recognized place in the industrial relations system of democratic countries only after long years of struggle are now finding their position jeopardised by the attitude of these companies." (2)

Confronted with multinational companies, the trade union movement now responds increasingly with tactical and organisational changes. Thus, the international trade union bodies are beginning to move towards coordinated tactics in relation to the multinational giants. Coordinated international collective bargaining is one important goal.

But the trade union answer is not limited to bargaining. Thus, trade union activities vis-à-vis multinational companies include various forms of workers' representation within the companies. The most advanced proposal in that respect concerns a special company law for enterprises which have production plants in two or more countries within the

(1) ICFTU questionnaire.

(2) *The Multinational Challenge*, ICFTU World Economic Conference (Geneva, 24-26 June 1971), report no. 2, Brussels 1971, p. 57.

European Economic Community. This statute of the European Company foresees the participation of workers in decisions taken by the headquarters of the companies.

Concerning the composition of top-level influence in European Companies the European Confederation of Free Trade Unions (ECFTU) has stated the following: "The supervisory council, as the statutory organ charged with controlling the action of the Board of Directors who are exclusively responsible for the management of the firm, shall be composed of three numerically equal groups:

- persons nominated as candidates by the general assembly of the shareholders
- persons nominated as candidates by those trade unions which are representative on the European level
- persons coopted by the two other groups and representing the interests of the general public." (1)

It is argued that by being represented in the supervisory council, the workers' side is assured a direct share in controlling the running of the business by the board of directors.

The ECFTU also says that a central works council should be formed, responsible for internal matters affecting the entire company or several parts thereof (i.e. matters which cannot be usefully settled by the respective works council at the shop-floor level). The central council should be able to pass on all necessary information to the workers and works council members.

The Statute of the European Company can also be regarded in a worldwide context. Otto Brenner, President of the International Metalworkers' Federation and the German Metalworkers' Union, has said that "there is a clear parallel with the multinational companies, and some aspects of this statute could provide pointers beyond the frontiers of the E.E.C., especially in respect of codetermination and the formation of European works councils. This of course is of special interest at the present juncture when the European Economic Community is about to be expanded." (2)

The European Company will surely be a test case in seeing if it is possible to realise some partial democratisation on this supra-national level.

The necessity for a forward-looking statute of the European Company is great and will with all probability increase. A general, supra-national minimum standard for workers' representation within the international enterprises should thus be created. In the absence of such a statute the national trade unions are left to negotiate with the individual international company. The difficulties of negotiations with international companies can be illustrated by the recent negotiations in connection with a new European steel merger.

(1) Braun, W. *The European Company*, Free Labour World, June 1970, p. 16.

(2) *The Multinational Challenge*, op. cit., p. 35.

The cross-frontier merger between Hoesch of Dortmund and the Royal Dutch Hoogovens group is producing the third largest steel concern in Western Europe. This coming together of the two big enterprises — which will employ around 75,000 people — is highly interesting because two somewhat different systems of industrial relations will meet. According to German law, half the members of the supervisory boards of coal and steel enterprises must be appointed by the workers. The problem is that this law does not apply to the Netherlands. During 1971 and 1972 negotiations have therefore taken place with the trade unions aiming to establish a system of codetermination in the Dutch-German enterprise. However, according to the DGB, the results of these negotiations have not been satisfactory. (1) The German trade union view is that the new enterprise's shareholders will obtain too strong a position. It is furthermore said that workers' influence is limited in comparison with present German conditions in coal and steel enterprises. A serious obstacle during the negotiation has been the fact that the Dutch management has opposed in every way the establishment of a model similar to the German one. The Dutch Hoogoven has even threatened a complete withdrawal and they have mentioned cooperation with Belgian and British steel enterprises as an alternative.

This case illustrates the necessity for future coordinated minimum standards on workers' representation in supervisory bodies within multinational enterprises.

(1) Interview in February 1972 with D. Hentsche, of the DGB.

ICFTU QUESTIONNAIRE **ON SOME ASPECTS OF PARTICIPATION**

NOTICE

All questions refer to conditions
in the private sector of the economy

PART A	LABOUR-MANAGEMENT COUNCIL WITHIN THE ENTERPRISE
I	<p>In various countries there exist institutional forms for workers' participation within the enterprise. Thus, special labour-management councils (e.g. works council), dealing with specific issues such as safety, social services, etc., have been established by law or agreement.</p> <p>Does this kind of council within the enterprise exist in your country ?</p> <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 20px;"> <div style="text-align: center;"> <input type="checkbox"/> YES </div> <div style="text-align: center;"> <input type="checkbox"/> NO </div> <div style="text-align: center;"> <div style="border-left: 1px solid black; height: 40px; margin: 0 auto; width: 20px;"></div> <div style="text-align: center;">V</div> </div> </div> <div style="text-align: right; margin-top: -40px; margin-right: 100px;"> <p>PLEASE MARK YOUR ANSWER WITH A (X) CROSS</p> </div>
II	<p>Will you please attach the existing regulations concerning labour-management councils. The regulations can be in the form of a law, an agreement, a set of recommendations or combinations of these.</p>

III

Has your organisation expressed any desires to modify the existing regulations ?

☐

YES

☐

NO

V

IV

In what respects should the regulations be modified ?

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PART B	WORKERS' REPRESENTATIVES IN SUPERVISORY BODIES WITHIN THE ENTERPRISE
V	<p>Has your organisation expressed any opinion concerning the representation of workers in supervisory bodies in the enterprise ? (e.g. boards of supervision, board of directors)</p> <p> <input type="checkbox"/> YES <input type="checkbox"/> NO </p> <p> </p>
VI	<p>What are the main points in these expressed opinions ?</p> <ol style="list-style-type: none"> 1. 2. 3. 4. 5. 6.

PART C	CAPITAL-SHARING SCHEMES
VII	<p data-bbox="495 369 1120 438">In certain countries capital-sharing schemes are operating or under discussion. Has your organisation expressed any opinion concerning the ideas of capital-sharing schemes ?</p> <div data-bbox="495 478 816 629"><div><input type="checkbox"/> YES</div><div><input type="checkbox"/> NO</div><div><div></div><div>IX</div></div></div>
VIII	<p data-bbox="495 742 1120 769">What are the main points in these expressed opinions ?</p> <div data-bbox="495 802 1120 1488"><div>1.</div><div>2.</div><div>3.</div><div>4.</div><div>5.</div><div>6.</div></div>

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