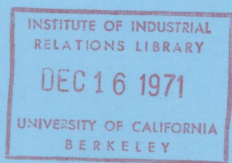


Productivity
(1967 folder)

(Ditchley Paper No. 10)

LABOUR-MANAGEMENT RELATIONS AND PRODUCTIVITY



THE DITCHLEY FOUNDATION

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THE DITCHLEY FOUNDATION

The Ditchley Foundation was created for the purpose of education, especially in matters concerning the peoples of the United States of America and Britain, together with the Commonwealth, by providing opportunities for men and women from both sides of the Atlantic and elsewhere to meet quietly for the discussion and study of problems of common concern.

The Foundation has established at Ditchley Park, a large 18th-century country house of great beauty near Oxford, the gift of Mr. H. D. H. Wills, a place where such meetings are held and such study is carried on.

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LABOUR-MANAGEMENT RELATIONS AND PRODUCTIVITY;

REPORT OF A CONFERENCE
AT DITCHLEY PARK

10th - 13th MARCH 1967,

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PREFACE

The Council of the Ditchley Foundation, pursuing its purpose of study and education on matters of common concern to the peoples of Britain and America and of other nations, perceived that one such important matter on which an interchange of experience and views would be very fruitful was that of relations between labour and management in industry directed towards greater productivity in the interests of both sides and of the public. Accordingly a representative Anglo-American conference on that subject was called at Ditchley over the weekend of 10th - 13th March, 1967.

The initiative and drive behind this project came largely from the Chairman of Ditchley's Programmes Committee, Mr. Thomas Childs, C. B. E., Chairman of International Nickel Limited, who as an American industrialist living in Britain, at the head of a British subsidiary of a great American corporation, and familiar with the economic and governmental structure of both countries, saw the problem from a dual standpoint; he was particularly concerned at the negative attitude so often displayed towards it in Britain, compared with the United States, while recognising that the climate of opinion on both sides of industry was rapidly changing in this respect. Sent into hospital two days before the conference, he nevertheless rose to attend its later sessions, and all concerned would want to tender him special thanks for his part in bringing the conference together and assuring its success.

The conference's terms of reference were as follows:—

To consider British and American experience in relations between labour and management directed towards higher productivity and shared economic growth, especially in respect of

- (a) Recognition of joint involvement and common purpose, including problems of status of labour, communication and public relations;
- (b) Structure and mechanism of negotiation on wages and conditions;
- (c) Systems of incentive pay, including group incentives;
- (d) Joint review of pay structure, job evaluation, and managerial and technical practice.

After general discussion in opening Plenary Sessions, the conference divided into three groups, each charged with considering the application of productivity agreements to a particular set of industries, British and American, that were represented at the conference. The list of such industries was, of course, illustrative rather than comprehensive. The group reports form the core of the present record.

The Foundation's thanks are due to all who took part, especially to the co-Chairmen, Lord Cooper and Sir John Masterman (deputising for

Sir Paul Chambers, who at the last moment was prevented by illness from attending) and to the Chairman and Rapporteurs of the groups, who worked indefatigably to produce concise and agreed reports within a severe limitation of time.

All members of the conference were invited and took part as individuals, not as representatives of official or unofficial organisations. While the record represents, so far as possible, a consensus, or in some instances a conflict of views, no participant can be held responsible for any particular statement or opinion expressed in it.

H. V. Hodson
Provost

INTRODUCTION

By The Provost of Ditchley

One of the problems of an Anglo-American conference on such a subject as labour-management relations is that of exact communication. This is not only a question of different terminology; it is easy enough to translate "redundancy" into "lay-offs" or "holidays with pay" into "paid vacations." Besides talking about the same thing under different names, the two sides may talk about different things under the same name. For instance, when British trade unionists and managers discuss "national wage agreements" the typical case they have in mind is that of an agreement on basic wages and hours of work between a national employers' association and a union or group of unions, e.g. between the Engineering Employers' Federation and the Confederation of Shipbuilding and Engineering Unions; whereas American trade unionists and managers would have in mind as the typical case an agreement between an industrial union and a nationwide corporation, covering all its plants, e.g. between General Motors and the United Auto Workers Union. The British type has very little to do with the actual wage-structures, fringe benefits and conditions in particular plants, or therefore with productivity; the American type has very much to do with these things. Even though it be true that there are British examples of the American type of national agreement and American examples of the British type, understanding can be frustrated by the different mental associations of such phrases.

Still more profound is a difference of approach and of assumptions. On both sides of the Atlantic the relationship between unions and employers is indeed still regarded as basically one of contest - what Mr. Helstein called "the adversary relationship", from which he said that great benefits had flowed. But they have different inbred attitudes to the question "contest about what?" British unions have tended to demand for their members the best terms they can squeeze out of the employers in a given situation; American unions have been more ready to seek to change the situation so as to get better terms for their members - not to interfere with management but to oblige management to manage better. Since the managers, for their part, are concerned to get something back from wage increases, as Professor Dunlop said, "the whole contract is concerned with productivity."

The contrast in assumptions was illustrated in a memorable exchange at Session III of the conference when it was discussing "the application and effectiveness of labour contracts and agreements in achieving the purpose of higher productivity." Mr. Ray Gunter, British Minister of Labour, had observed that "some of the worst restrictive practice arises from over-manning." Mr. Helstein of the United Packinghouse Workers Union interjected that he could not understand why over-manning appeared to be accepted in Britain, and he threw across the table this question: "What does management think its function is?" (He was not the only American trade unionist who insisted that it was management's business

to manage, and that manning was its prime concern.) Significantly, it was a British trade unionist who sprang to the defence of British management. "You must understand", said Lord Cooper, "that under conditions of full employment labour has had a great advantage" in bargaining both about wages and about jobs: management had even been driven to store unused manpower against the time when it might be needed, and had been able to pass on the cost to the consumer. "If the trade unions continue to impose restrictions," warned Mr. Gunter, "and management accept them, we shall lose full employment. It is essential to remove impediments on management to manage."

Behind such exchanges lie differences both of economic conditions and of industrial structure. Although both countries have been reasonably prosperous since World War II and have avoided deep economic depressions while maintaining growth in national product, the United States has accepted without protest a much higher level of unemployment. Partly this has been regional and structural, as evidenced by the high unemployment rate among negroes, who form a large part of the unskilled labour force in many areas, but it also reflects a greater tolerance of temporary unemployment as a concomitant of industrial change, with a greater mobility of labour as its corollary. British labour has declined to accept unemployment as the price of progress, and in the generally inflationary conditions this has led inevitably to growing government intervention, expressed now in a prices and incomes policy which is bound to restrict freedom of industrial negotiation. Its purpose, as the discussions brought out, is a more radical and hopefully more constructive than that of American "guide lines".

British trade unions have had a comparative advantage not only from the economic climate but also from their greater relative strength. A much larger proportion of workers, and also of industries and plants, are unionised in Britain than in the United States. Buttressed as British trade unions are by favoured legal status, they have not needed, nor have they sought, legal enforcement of their recognition as bargaining agents, as in the Wagner and Taft-Hartley Acts. The corollary of such statutory recognition is legal enforcement of corporate agreements - another point of contrast between the two countries.

There is no British counterpart of what is common form in major American industries, the long-term (typically, three-year) contract, spelled out in great detail and enforceable at law, including its arbitration clauses, at least to the extent of awards of damages, giving rise to a regular cycle of massive and prolonged negotiations every few years, involving high-powered technical experts and legal draftsmen, with intervals during which disputes focus on interpretation and adjustment. The fixed-term contracts commonly include complex procedural clauses and no-strike provisions: as Mr. Ziegler observed, "United States unions have grown up with the no-strike idea." In Britain, national agreements are generally simple and basic, are unenforceable in a corporate sense either as to specific performance or as to damages for breach (though of

course individual rights under common law or the law of contract remain), and rarely last more than a year or so without "another round", under threat of strike, while plant or company arrangements are also, as a rule - though with a growing number of exceptions - on an ad hoc, catch-as-catch-can basis.

Nevertheless, the conference brought out, not only that the fundamental economic and structural problems are the same in two countries devoted to both private enterprise and collective bargaining, but also that there is a trend towards confluence of the two sides. More and more agreements of the American type, involving the whole deployment of labour, with guaranteed conditions including the "working year", are being concluded in Britain on a plant or company basis. Recognition of common interest in productivity is growing; redundancy payments and re-training are softening the resistance to manning reform; on the management side the idea is more and more accepted that management has both the right and duty to raise efficiency and productivity, especially in respect of manpower, and that this right implies a responsibility towards labour, both to seek its co-operation in these efforts and to share the fruits with it and with the public as consumer. Prices and incomes policy brings the hand of the law into wages agreements. The multiplicity of British unions is slowly being reduced, though we are still a long way from the position where an automobile concern or a steel plant can negotiate its whole wage-structure into one union negotiating body. Britain, in short, is slowly absorbing the concept of a high-wage, high-productivity economy which has long ruled in America. In the United States the trend is not so clear, but with automation accelerating the process of industrial change it seems likely that American unions and management will have to become more concerned than in the past with the employment problems that have been so much the centre of British industrial struggles. It was plain from the conference that an Anglo-American dialogue in this field is not merely a question of the one emulating the other, of one side teaching and one learning. We have both much to learn from such a comparative study, and as the pace of change quickens this mutual intercourse and education may become more and more instructive and valuable.

TRADE UNION OBJECTIVES AND PRODUCTIVITY IN THE U.K.

By Lord Cooper

INTRODUCTION

The objectives of labour can be summarized as follows:—

- (a) Maximization of living standards,
- (b) Maximization of job security,
- (c) The greatest possible influence over the work environment.

These objectives are not incompatible with management objectives. In the long term, the realization of both labour and management objectives depends upon the productivity and profit of the firm or industry. But, in the short run, there are significant differences of interest between management and labour. If the maximum co-operation in the pursuit of mutually advantageous ends is to be achieved, labour-management relations must be based upon a frank recognition that, when productivity involves changes in work practices, the interests of the two parties can often conflict.

THE PROBLEM OF PRODUCTIVITY

Management therefore needs to encourage labour co-operation in achieving productivity increases by:—

- (a) fully accepting the trades union function in a firm or industry;
- (b) recognizing that changes in working practices should be seen to result in short-term advantages for workers.

If management sees industrial relations as an unpardonable interruption in the unbridled exercise of managerial prerogative, then they will not get the necessary co-operation to achieve the economic objectives of the firm. If management think that exhortation, by itself, is an incentive sufficient to stimulate changes in work practices, then again they will be disappointed.

RECOGNITION OF THE TRADES UNION FUNCTION

(i) Resistance to trades unions

It would be in the interests of both management and labour if more firms and industries regarded collective bargaining with trades unions as a necessary way of achieving the objectives of the firm or industry. In Britain, some firms still actively resist the establishment of trade unionism. In others, there is a policy of withholding recognition of workplace representation and machinery or of limiting their functions as much as possible. It is almost inevitable that, in these situations, workers and,

where they exist, their representatives will respond to management hostility by regarding themselves as being in continuous conflict with management. Under these conditions, co-operation over questions of common interest becomes almost impossible. We need, therefore, to consider ways in which we can ensure the proper recognition of trades unions if we are to create a climate in which the common objectives of the firm can be pursued.

(ii) Legal recognition

In the evidence of my union to the Royal Commission on Trades Unions, we argued the case for legal recognition of trade unions. We pointed out that, though the strength of trades-union organisation in Britain had ensured that a great number of workers get representation, there were still industries and parts of industries where for one reason or another it was difficult for workers to organize and achieve representation. In these circumstances, we suggested that the State, through legal sanction, ought to intervene to ensure a satisfactory balance of power of employers and employees. The legislation should provide that where a trades union or trades unions can show that they have a substantial proportion of members in a firm or in an occupation within a firm, then a firm must recognize the union or unions as representatives of the workers.

(iii) The status of trades union representatives

Management should realize that it is in their interests to establish good relations with trades-union representatives. This point applies as much to work-place representations as to full-time officials. Managements should give recognition to the value of shop stewards by a generous definition of their status rights and responsibilities. Such a recognition would remove a significant obstacle to the improvement of British industrial relations.

(iv) Productivity: a subject for collective bargaining

It is not the purpose of the paper to explore the relationship between national economic interests and collective bargaining. All that needs to be said here is to point out that, in the view of most trades unions and of the T.U.C., there is need for an incomes policy to influence the relationship between productivity and incomes. On the level of collective bargaining, our concern is that employers should be prepared to put productivity on the negotiating agenda. Our experience is, however, that many employers are either not prepared to discuss productivity or will only discuss it away from the bargaining table. Some employers argue that questions about productivity are exclusively the concern of managements. They fear that once they discuss production questions with trades unions, then unions may use such discussions to harm the efficiency of the firm. Other employers are prepared to discuss productivity questions with trades union representatives but only within the joint consultative framework where it is impossible to link productivity with negotiation. In our view,

full recognition of the trades-union function implies an acceptance by management that productivity is a legitimate subject for discussion, negotiation and agreement between management and workers.

SHORT-TERM DISADVANTAGES FOR WORKERS

If management is to achieve maximum co-operation in improving productivity, then they must accept (a) that increases in productivity can mean for some workers a conflict between two labour objectives (higher living standards and job-security) and (b) that changes in work practices can lead to significant short-term disadvantages for some workers.

(i) Job Security

Increases in productivity may well mean increased job-security for the majority of workers. With more realistic manning scales, every job becomes more vital to the efficient running of the company, while the resulting increase in efficiency enables the company to withstand adverse external pressures more easily. But this economic advantage may be offset by some workers becoming redundant. In addition, some work-groups lose control over the operation of work-practices. Unless there is a background of adequate state social security, unless a natural wastage is followed where possible, and unless generous provision is made by the organisation for the redundant, then threats to job-security may prove a deterrent to workers accepting changes in work practices.

(ii) Living Standards

The biggest incentive to workers to accepting changes in work practice is an increase in earnings. It is commonsense for management who wish to secure reductions in unit costs to ensure that workers get their share of productivity increases. But even where a productivity agreement results in increases in hourly earnings, where workers are compensated for loss of overtime and where there is increased job security, some workers can actually lose financially. In addition, work-groups lose control over the level of earnings.

(iii) The case for productivity bargaining

The case for productivity bargaining is that it creates opportunities to reconcile these conflicts between short-term and long-term labour interests and between differing interests of work-groups. While we support exhortation and education, we have found that the obvious short-term inconveniences of workplace change without compensation will, for most workers, appear to outweigh the advantages which might result in the future. Productivity agreements, by giving immediate financial and job-security advantages to the many, and generous compensation to the few, ensure membership support for work changes which otherwise would have almost certainly been resisted.

CONCLUSION

Everybody can agree that improvements in productivity are desirable. We need, however, to give a little more attention to the problems involved in change. Not only management, but government as well, should recognise that there are serious conflicts in interests between management and unions, and between different work-groups. Management is only likely to achieve the degree of co-operation necessary to create the right conditions for improved productivity if the concerns and interests of workers are considered to be legitimate.

TRADE UNION OBJECTIVES AND PRODUCTIVITY IN THE U.S.A.

By Ralph Helstein

In the United States, great benefits have flowed to both American labour and industry from the adversary relationship which has prevailed as the basis for negotiation between the parties. There are, however, some areas in which the adversary relationship inhibits rational and responsible resolution of difficult problems. I suggest that in the United States we stand on the verge of being able to produce in abundance because of the amazing new technologies that we have developed. Under these circumstances we may well have come to the point where the full implications of an economy that can no longer exist only for the few, but must be distributed among the many, requires a greater understanding of human and community relationship. Our failures in this respect are failures, I would argue, not of any one party or any one group, but of the total society that reflects many of our cultural as well as structural and institutional problems.

In the United States we are committed to the proposition that collective bargaining offers the best method for resolving many of our problems. We subscribe to the proposition generally that higher productivity leads to higher standards of living, and if the economy is to serve the needs of the people properly and is to be their servant and not an end in itself, then we must move in that direction. The trade-union movement rejects completely the notion that our participation in this pie that is created by the economy must be tied only to the amount of increased productivity. We are unwilling to accept the notion that the present division of the goods of mankind is properly determined. We cannot accept any proposition that freezes the existing relationships between people, things, or institutions and does not permit us to get a different division of the goods and opportunities our society produces.

I happen to be of the opinion - and in this respect I want to make it perfectly clear that I doubt if my views are shared by many of my colleagues - that the critical question in terms of productivity is the organization of management, its willingness to respond, not just to the pressures on it, but to the possibilities that are afforded to it. I believe that increased productivity at this time in the world's history is the product of capital investment to a much greater degree than it is of human sweat. I think we are long past the time when the boss ought to go around slapping the worker on the back not because he wants him to think he likes him, but because he wants to make sure he is working hard enough and sweating enough. This is no longer, it seems to me, a standard by which we can judge. I think, as a matter of fact, that the American trade-union movement has contributed very substantially to the increase in American productivity, and all one has to do for quick, rough, broad figures is to look at the growth in our Gross National Product over a period of years.

That it has gone up very substantially is due, I believe, to the tremendous capital investment that has taken place and it is from the manner in which that investment is organized and utilized that essentially the major returns will come. In this connection the trade unions have the responsibility of making certain that equity exists and a proper distribution of increases of this pie is forthcoming.

Clearly, there are many real problems with which we have to deal. They include the difficult and critical question of job-security. What kinds of dislocation occur by reason of the introduction of new technologies; what arrangements can be or should be made to take care of people so affected; what effect does it have both in terms of long-term unemployment and layoffs; what about the whole problem of under-employment and the proper use of personnel? Clearly these are problems for which there are no easy solutions.

In the meat-packing industry we have been faced with this question in a very real way over a period of the last decade and a half, and we have still just scratched the surface. I am confirmed in the judgement that many of these problems are not going to be resolved in the direct collective bargaining relationship between the employers and the union. I am not sure that they are even proper charges upon a given company or a given industry. It seems to me that the total benefit which flows from this kind of economy to the nation as a whole makes them proper charges against the nation and that the answers and solutions will really have to be found in the legislative arena.

Another dimension of the drive for greater production is the problem of the status of the individual human being as a creative and important member of society. Another conference might well deal with this basic and increasingly important question which grows out of the present methods of production in many industrial plants.

More germane to this conference's concern, however, are questions that I call structural. In the case of the railroads in the United States, where we have gone through serious problems of dislocation in recent years, one of the key problems that had to be dealt with was the elimination of substantial numbers of employees, members of a particular union. If unions had found the proper answers to many of their jurisdictional difficulties, some of these problems, obviously not all of them, might have been minimized. In my judgement, over a period of time the only thing that makes rational sense (and I don't mean to suggest by this that unions any more than corporations are disposed to be rational) is a re-structuring of the trade unions into fewer unions. We just don't need as many as we have.

I do not believe that there are any mechanistic answers to any of these questions or any set formula for anyone to draw a blueprint and find quick and easy answers. A method successfully applied to one situation will not necessarily provide the remedy for another situation. I think every industry has different problems which require different solutions, even

though some of the mechanics by which you approach the problem may be the same. The question of timing, i. e. at what point in time are people prepared to accept change; also at what point of time, because of a growing industry or a mushrooming or expanding economy, can you better absorb the impact of the dislocation that follows from some of the things you do, is an important factor. I believe that much of the progress we have made in the United States is the product of the pressures the trade unions put on corporations for a larger share of the pie, with the result that the corporations were forced to organize their production more efficiently.

I should like to conclude with just one example which goes back, strangely enough, to the 1930s when certain programs designed initially to increase productivity accomplished their purpose. What I have in mind is the experience that our union had with the George A. Hormel Company in Austin, Minnesota (this is a corporation employing approximately 3,000 to 4,000 people producing food products.) The first sitdown strike in the United States occurred in the Hormel plant in Austin some time back in about 1933. As a matter of fact, Jay Hormel, who was then president and owned some 60-70% of the stock, was picked up bodily and deposited outside of the plant. The strike was finally settled. Jay Hormel happened to be a sensitive, creative and enlightened person who could not quite figure out what had happened to him and why. He began to try and understand. He finally came to the conclusion that perhaps he just had not been working at this thing hard enough - that he ought to take another look at it. As a result of this experience, some time in the mid-1930s he introduced what he called a guaranteed annual wage concept. What he said to his people was: "You have a right to regular employment" (employment was very seasonal in those days in this industry). "I want to guarantee you 52 weeks of work with a full pay check each week. Nobody will be laid off without 52 weeks' notice. I want to reach an agreement with you if I can on how much production represents a day's work." They reached an agreement, and he said "Now that we have reached this agreement, you can do this amount of work that we agree represents a day's work in as little or as long a time as you decide. I will pay you a day's pay. If you finish in 6 hours, in 5 hours, in 3 hours, you will get your full day's pay and a sunshine bonus." (This is what he called it; you got home early and so you got more sunshine.) What happened was that people began to get out earlier and the hours kept going down but production stayed up.

One day Jay Hormel said: "Look, you've got all this spare time. How would you like to make extra money? Now we have agreed that a certain output represents a day's work. If you do a little more I will pay you extra for it." This whole program became institutionalized in a contract that was executed in 1939 or 1940, and it is still in effect. I think it is probably the oldest contract in effect in the United States without change in its basic terms but with many amendments to it as conditions have changed in the industry.

That contract provided some basic things: it provided first that wage-

rates would be whatever the industry rates were, the scale rates paid by the major competitors in the industry. Secondly, it provided that all other benefits would at least equal if not be ahead of all the others. Finally, it provided that if there were any disagreements between the parties as to how things were going on they could be submitted to outside arbitration with the arbitrator directed to resolve the issues on a basis of what was fair, just and equitable.

This contract has been in effect since 1939 or 1940. There have been many wage increases and other important changes in the industry since then. Some figures on the Hormel experience would be enlightening. In 1947 the average weekly pay was \$44.54. The weekly incentive earnings in that year amounted to \$18.43 or about 42% of the weekly pay. In 1965 the average weekly pay was \$104.70; the average incentive earnings per week were \$68.63 or roughly 65% above the basic pay. In 1966 the average annual income for both men and women in this plant was \$8,944.52 and gives some idea as to what this has meant to an individual employee. In 1947 the average weekly hours worked in that plant were 35. In 1965 the average weekly hours worked in that plant were 31.8. In other words, over \$8,000 was earned on the basis of an average work week of 31 hours. I should say parenthetically, that the guaranteed annual wage permits exemption from the law, and permits hours in excess of 40 within a week without overtime pay. I think it is important that I relate these figures to the industry's earnings. I use the 1965 average when weekly earnings in the industry were \$107.41 based on a 41.1 hour week. In the Hormel Austin plant, the average weekly earnings were \$170 based on a 31.5 hour week.

The Hormel plan is an example of an effort to increase productivity while building in devices that will ensure some equity in the distribution of the wealth that is created. Other examples could be given. Most of them, unfortunately, reflect a pattern of increased productivity without a commensurate sharing in the results.

In the final analysis our success will depend upon whether or not we treat the problem as a national problem, and on the intelligence and rationality of the people who have the mechanism and the power to use it.

MANAGEMENT OBJECTIVES AND PRODUCTIVITY IN THE U.S.A.

By Virgil B. Day

The theme of this conference - the search for higher productivity - is truly basic to economic progress in all respects. Our aspirations for a higher standard of living for all people, job-security, corporate growth, and even our national objectives such as correcting our balance of payments problems - all of these hinge on achieving higher productivity, and most especially higher productivity in the industrial sector.

Nevertheless the first point I would like to contribute to the discussion is that perhaps we assume too much if we assume that everyone already understands why productivity is important, and assume that everyone is committed to action based on such understanding. While the general principle that productivity is to be improved may command favourable attitudes as unanimous as those regarding motherhood and the flag, it is another question whether employees or even all of us in management or union ranks are really willing to do those things necessary to achieve higher productivity in every case. After all, not all types of motherhood are favoured. And certainly all of us know of difficult situations that arise when specific measures are introduced for improving industrial productivity.

Therefore, I would list, as the first essential requirement of any practical productivity program, achieving more meaningful economic understanding of what competitive realities are all about and where the common interest lies.

Probably the process of economic education has both positive and negative requirements. On the positive side, it requires that we continually attempt to demonstrate economic realities as they have impact at the plant and shop level; to show how success in serving customers is the basis for all job security as well as business growth; to orient each daily job to the competitive struggle. On the negative side, success in getting these points across depends on all of us foregoing the luxury of seeking short-term advantage or political prestige that may seem to be available by playing on obsolete prejudices or apprehensions concerning change.

Assuming now that this very fundamental part of the productivity problem is recognized and faced, where needed, let me move on to suggest some specific measures that may be practical and helpful, based on the experiences to which I have been exposed. I propose to enumerate a half dozen managerial actions which occur to me as essential for any successful program of productivity improvements.

1. Communication concerning changes. Probably the most important point for the personnel man to insist on with his own management colleagues is their commitment to a policy of vigorous, candid and

prompt communication concerning shop changes. This point is the sine qua non of a successful productivity approach.

2. Sensible timing of major shop changes, so as to make effective use of inventory policy, changes in market demand, labour force attrition, and other factors which can be creatively deployed so as to minimize labour force disruptions.
3. Realistic training and retraining programs, geared to help meet critical skill shortages in growth areas of the business. If industry is to make the most of its technological developments and financial commitments, manpower skills need to be vastly upgraded.
4. Sound measures for the alleviation of unemployment problems where, in the last analysis, some painful joblessness proves unavoidable. In the U.S., both public and private programs exist. We believe that industry has a responsibility to be concerned with both.

These are four actions which help the work force best adapt to productivity improvements that initiate from sources other than the employee himself. We should add still a fifth general area for managerial action:

5. Increasing motivation of employees and their opportunity to contribute creatively to the work of the enterprise. Here we refer to the employees' own productivity contributions. My company, like several others, has been favourably impressed with the progress being made in the behavioral research field, which is beginning to marshal empirical evidence indicative of what kind of managerial approaches can enhance employee motivation.

To these five points, I would add a final and critical point concerning management's role in productivity programs:

6. Maintenance of management initiative and freedom of action on matters involving productivity changes. Where the health and even the survival of the business and the jobs it provides are at stake, we believe that the responsibility of management to manage is crucial to the best interests of all concerned.

I noted with interest the comment by Mr. Cannon of your Electrical Trades Union, in a talk last April, when he said:

"This theory of co-determination. . . is one I do not believe in and I think it can be dangerous and ultimately damaging to the whole of democracy. I think it is management's job to manage."

Our own unions in the U.S. have generally acknowledged this point, though there have been areas of disagreement. The contracts signed between General Electric and the International Union of Electrical Workers (IUE), as well as other unions with which we negotiate, provide for explicit limits on the use of arbitration on matters involving managerial decisions of the type referred to here.

In this connection, management's interest in continuity of operations and avoidance of strikes needs to be set in clear perspective. Management has a far greater interest in maintaining the basis for profitable operation over the long haul, even if this costs a strike in the short run. Too many managements have achieved Pyrrhic victories by trading away vital "management rights" at the bargaining table as the price of industrial peace. We have noted that what are often called "non-economic issues" involving such decisions may turn out to have far greater economic significance than a flat, calculable wage or benefit boost. The cost of losing management initiative, in terms of inability to keep up with the productivity improvements of your competitors, can be devastating. In short, sometimes taking a strike can be a prudent economic decision and financially advantageous when compared with the cost of avoiding a strike.

Does my emphasis on management responsibilities for managing imply an authoritarian approach? Quite the contrary. The key to the whole productivity challenge from management's viewpoints is the importance of the employees' whole-hearted acceptance of business goals - active consent and commitment as opposed to passive acquiescence in what the "boss" says. It is the individual effort by each employee directed to the achievement of understood and mutually desired goals, that keeps the business profitable and the jobs secure and more plentiful.

Management is learning that there can be nothing artificial about earning the employee's full commitment to the enterprise's success. If each individual is to contribute his best efforts towards the business objectives, he must understand and accept these objectives and he must voluntarily offer his skills, care and effort. Compulsion and coercion won't work. Nor will "hidden persuaders" or so-called "social engineering." The old view of management's authority - what the boss says goes - is of necessity being discarded, since for many reasons what the boss says today goes only as far as the employees decide they will take it.

This healthy trend brings to the fore the role of communication concerning change. Let me devote my few remaining minutes to giving emphasis to this factor, as the basis for productivity programs.

A visitor to one of our plants was being escorted by the plant manager past a long row of machines operated by women. The supervisor of that part of the plant explained to the visitor, in a voice clearly audible to all of the machine operators: "In six months this entire operation will be automated; all these jobs will be eliminated." The visitor was shocked that the supervisor would show such callous indifference to the employees. When he was back in the plant manager's office he voiced his reaction. The plant manager replied that, far from being poor employee relations, that scene had shown what good employee relations and good communication can accomplish. It seems that the plan for automating that operation had been announced weeks earlier; all the employees involved had

been immediately and fully advised; plant managers had worked with them in finding other jobs both elsewhere in the plant where feasible and elsewhere in the community where that was a better solution; and, most important, the urgent business reasons for the automation had been persuasively communicated. The employees involved not only knew exactly what to expect but they credited management with doing everything realistically possible to take their problems into consideration.

This is not solely communication, of course. Sound and responsible business planning is the first step. No amount of good communication can make a bad thing look good. A rose by any other name still smells. But it is equally true that sound action, even humane action, will neither be understood nor accepted unless people hear about it - and hear it promptly and candidly.

For another case involving our company's efforts to meet competitive rigours, let me mention some of the steps we found necessary to stay in the transistor radio business. You are perhaps familiar with the great effectiveness with which the Japanese began to market transistor radios worldwide during the late fifties. I won't go into details about what our management had to do to keep competitive in the face of this invasion, except to mention their own view that, in the final analysis, the difference between success and failure - between our achieving world cost leadership or surrendering U.S. markets to the world - was found in the way they managed their human resources. Of course, it was necessary to undertake major changes affecting most if not all jobs in the operation - and jobs, of course, are manned by people. Without the support of their people, these necessary operating changes would have met with suspicion, if not outright resistance. With their support, the results were a source of great pride, not to mention competitive survival.

I might add, incidentally, that the anticipated resistance of union officials is too often used as a crutch for inaction. We found in our situation that when we explained the problem to union officials in meaningful terms they were "sold" - they became valuable supporters of our campaign to achieve cost competitiveness. As a matter of fact, a General Manager's talk at the Union Hall, on the subject of competitive realities, was printed as a feature article in the union's local newspaper.

I know that our experience in the radios line is not unlike many other success stories which members of this audience could cite.

It is perhaps only fitting that I conclude my contribution on this reference to productivity improvements which were spurred by overseas competition in this case the Japanese. It is certainly true that both of our countries are facing a very healthy challenge from industrial rivals abroad, and that this single fact is the really compelling force that urges us on to greater productivity improvements. I hope this Conference will prove a constructive step forward to us all on this quest.

MANAGEMENT OBJECTIVES AND PRODUCTIVITY IN THE U.K.

By Frank J. Rogers

I doubt if there is anything new to say on the question of productivity.

We all know what the problem is and what we have to achieve. It is very simple. We just do not have enough productivity in this country at the present time. It seems to me likely that if we are going to achieve the sort of improvement in productivity that we need, the methods by which this will be achieved are already known to us. I doubt if there is any new secret ingredient. However, there are many methods being advocated and what none of us yet knows is which combination of which of the many methods is actually going to do the trick. We all have our pet formulas - the politicians, the trade unions, the scientific planners and the managers. What seems to be common to all - and I notice that it was touched on by the speakers this evening - is the need for a change of attitude, usually, however, on the part of somebody else.

As Sir John Masterman said in his opening remarks, productivity will not rise until management and men trust each other. I think that was a quotation from a shop steward. In that case we certainly know in this country that we need changes of attitude because we know that we do not trust each other and have not done so, unfortunately, for many years. I agree that what is needed is a change of attitude. It seems that we all rely too heavily on trying to achieve results by lecturing others on what they ought to do either by planning or exhortation. Year after year we in this country go on failing. You can plan, you can exhort until you are blue in the face and you can be very brilliant at it, but in the event it is what people are prepared to do that matters.

What we often seem to overlook is that the monetary rewards we spend so much time in arguing about can only bring satisfaction off the job. What industry has spectacularly failed to do nationally in the United Kingdom is to ensure satisfaction on the job; quite simply, people do not have the will to work more productively. It is true that we can and do achieve impressive economies through technology and managerial skill, but the scale of the success is not great enough to put the picture right, and that is because this is the work of the few trying to defeat the many. The few are the managers, some of them, and the specialists, and the many are neither impressed nor suppressed. The few are more highly motivated than the many. I think that a change of attitude is essential and more perhaps even than essential; everything else is subordinate to this. So my question is, how do we achieve this? Of course I do not know any more than anyone else how we are to achieve this. I have one or two points only to bring to your attention.

I feel certain that we start with ourselves, the managers of industry. First, we should stop trying to blame others; for we are responsible not

only for the past and present mess, but more importantly, and more optimistically, for the changes that will improve the future. The failure of many of us, and not only the oldest, to realise that fact may well be the biggest single stumbling-block today.

Secondly, whatever else we do, I feel we have to stop exhorting and start educating. I do not mean technical education. We have any amount and relatively too much of that already. I mean business education. The way we allocate our human and economic resources in business today is manifestly important. I suggest we might improve things by making a quantum jump in the resources we allocate to developing our human resources - managers and managed - specifically in an almost wholly neglected area, what business is really about. Our schools do not do this and industry certainly does not, so the vast majority of our labour force, including most of the managers, simply do not know. That lack of knowledge, more than any lack of technical knowledge or skill, I count as the biggest lack in industry today and the biggest single potential improver of attitudes.

Let us take productivity. It is no good just telling people that what we need is more of it. Most of us are not even sure just what it is we need more of, as the recent correspondence in the Financial Times has shown. If we take profits, the same applies. We are dealing in concepts which require a very great deal of understanding and we do not have it. I submit that it is worth spending a very great deal of time and effort indeed to develop that understanding and I hope the conference this weekend will aid that process.

LABOUR AGREEMENTS AND PRODUCTIVITY IN THE U.K.

By The Rt. Hon. Raymond Gunter M.P.

The effect of labour-management relations on productivity - is of fundamental importance in the effort this country is making to solve its economic difficulties. An exchange of views between representatives of the United States and Great Britain is particularly apposite because of the differences in the practices of the two countries.

Although there has been widespread discussion of the need for higher productivity during the post-war period, it is only in the last few years that it has been suggested in this country that productivity should be a major factor in the negotiation of agreements between workers and employers. In the past - apart from negotiation of payment-by-results schemes - consultation about such questions as productivity has been largely divorced from wage negotiations, which have been based more on opposing than on common interests. On the trade-union side the primary concern has been to raise the standards of their members. Employers have been concerned to meet their recruitment needs whilst preventing their costs from getting out of line with those of their competitors and to maintain profit margins adequate for investment and the attraction of new capital. There has been too much emphasis on the sharing of the existing cake and not enough on increasing its size to the benefit of all. The responsibility for achieving increased productivity has in consequence largely rested on the ability of management to improve technical equipment. The possibility of notable gains accruing from the more efficient use of labour has been by comparison neglected.

This situation reflects conservative attitudes on both sides, but it is arguable that a major influence has been the way in which collective bargaining has developed in Great Britain. Over ninety per cent of the workers whose wages are subject to collective bargaining are covered by national agreements. These national conditions, it is sometimes suggested, tend to be those of the lowest common denominator, that is to say, what the least profitable firm can concede. Certainly in many cases they are supplemented by plant or local agreements which may reflect, among other things, the different degrees of efficiency of individual enterprises. The scale of these margins over the national rates varies also greatly from one industry to another and it is of interest to speculate on the extent to which this is attributable to the differing degrees of control exercised over their members by employers' associations.

At the national level there have been some attempts to conclude agreements providing for the removal of inefficient practices. These attempts have played their part in achieving greater productivity but their success has been limited by the difficulty which sometimes exists in securing observance of such agreements locally. In any event changes in working practices cannot always be evaluated easily except at plant level. Re-

strictive practices are rarely uniform in nature or degree throughout an industry; there are wide variations between firms in different localities and even in the same locality. Supplementary agreements at local level have seldom reflected any greater recognition of common purpose than national agreements have. They do, as I have said, tend to reflect the differences in technical efficiency of different enterprises, but they also reflect such factors as local shortages of labour which have no connection with productivity.

This well-established system has had many advantages for both sides and for the country. It has provided a considerable degree of stability and we have suffered less from industrial disputes than most other countries including the United States. The company-cum-plant bargaining system of the United States has been regarded by many as a rather undesirable alternative which, if it spread, would undermine the existing system and lead to greater instability. But good industrial relations, in the sense of trouble-free relations, do not necessarily imply efficiency.

Our traditional approach has been affected in the last few years by two developments, one external, the other internal. The external development has been governmental intervention designed to express the interest of the country in arrangements vitally affecting the economy. This has had as a primary aim the maintenance of increases in incomes within the limits of increases in productivity. The internal development has been an increasing interest in productivity bargaining at plant level aimed at the reduction or elimination of inefficient practices, such as institutional overtime and rigid demarcation, or the adoption of more flexible arrangements in such matters as working hours and manning, in return for higher wages and other improved conditions. This form of bargaining has required a new approach to labour-management relations based on an assumption of common interest in the benefits of higher productivity. In the earliest examples some firms believed existing national agreements to be too constricting for the radical changes they deemed necessary, and some of them resigned from their employers' organisations.

Proponents of productivity agreements have indeed argued that large increases in productivity can be obtained only if national bargaining is substantially limited. In its evidence to the Royal Commission on Trade Unions and Employers' Organisations the Confederation of British Industry rejected the view that the existing system is a major obstacle to improved productivity although it accepted that the system was not effective in promoting change. The C.B.I. also thought that productivity agreements may be irreconcilable with incomes policy since they paid little attention to rates of economic growth and, with full employment and integrated industry, the inflationary features might be spread more easily than the beneficial ones. The Ministry of Labour did not think there was necessarily incompatibility of this kind provided the wage increases left a margin for the benefit of the community. For its part the T.U.C. considered it would be necessary to relate plant agreements to the national contracts, although it had not decided how this could be accomplished.

This conference is, as you see being held at a time when a debate on our practices is taking place. The National Board for Prices and Incomes has already produced one report on productivity bargaining. This followed recognition by the Government that, even during the period of severe restraint upon pay increases, increases could be justified where they were associated with genuine productivity agreements. A further report from the National Board examining a number of particular agreements in detail is awaited. The views of the Royal Commission should be available later this year. Clearly it will be of great value to the British representatives to hear from their American colleagues whether their system has in practice led to a closer connection between wage and productivity increases, and also whether it has managed to avoid the inflationary dangers about which we are concerned.

On the question of single-union versus multi-union agreements there is also a contrast between British and normal American practice. Under our system of national bargaining there is no question of restricting worker representation to one union. All have their place at the negotiating tables although in some cases they work through a confederal organisation. In productivity negotiations where several unions have been involved, some firms claim that it would be a considerable advantage if the unions could all be represented in a single piece of negotiating machinery. Various solutions have been offered to this problem by those who believe that the existence of so large a number of trade unions in this country creates problems. Apart from the practice in the United States, those who look abroad sometimes advocate "industrial" unions as the solution. We do not, in this country, believe in the compulsory amalgamation of unions to reduce their numbers, but a trend to bigger unions exists and is facilitated by the Trades Unions (Amalgamation) Act of 1964. It will be interesting to hear your views on the relevance of this organisational problem, and its effects in the attempt to promote increased productivity.

The incorporation of conciliation and arbitration arrangements in voluntary agreements is a common feature of the system of national bargaining. It has been the practice of successive Governments to support this to the fullest possible extent because it has been of considerable value in the maintenance of industrial peace. Such arrangements have not, however, played a notable role in the improvement of productivity. Indeed it is often alleged that in an inflationary situation settlement by conciliation and arbitration tends to increase the inflation. This is perhaps inevitable in a system designed mainly to reconcile the opposing claims of the two sides. Plant productivity agreements, on the other hand, are claimed by their advocates to be based on greater community of purpose between the two sides with the result that recourse to an outsider is, to that extent, less. Moreover, whereas national agreements are designed for general application, the plant agreements are expressly designed to deal in detail with the conditions in a particular establishment. They may therefore reduce the area of potential dispute.

Apart from those industries in which Wages Councils have been es-

tablished, the tradition in this country has been against giving statutory force to voluntary agreements. Legal enforcement was the concomitant of the compulsory arbitration which was found to be necessary during the war and continued in a modified form up to 1959, but the only vestige left now is the power of the Industrial Court to compel individual employers to provide terms of employment not less favourable than those of agreements negotiated between substantial numbers of workers and employers in an industry. This question of legal enforceability is, however, one on which opinions are divided and it is also a matter to which the Royal Commission is giving attention. The main merit claimed for the system of Labour Courts operating in Scandinavian countries and elsewhere abroad is that it helps to maintain industrial peace. It has not, I think, been claimed that the Courts play any more notable part in increasing productivity than do conciliation and voluntary arbitration.

As I have said, this conference is timely for us because we are in the middle of a debate on the extent to which our procedures ought to be changed. The view that our traditional procedures have not adequately taken account of the need for a notable and sustained increase in productivity is not seriously disputed, but discussion continues on how these ought to be modified and whether and to what extent the solution lies in new-style plant agreements. In any case agreements on the Fawley scale at present cover only a limited number of workers and since they involve long and careful preparation, in terms of years rather than months, they cannot offer quickly a major overall increase in productivity. The problem that was adjourned before us indeed in the short term was not so much the reconciliation of plant and national agreements difficult though that may be. What we have to discern is how most effectively a productivity approach can be incorporated into our existing system. On this and the other question that I have touched upon I am hopeful, and indeed sure, that your discussion here this week-end can throw light and possibly give me, in my distress, some guidance.

LABOUR AGREEMENTS AND PRODUCTIVITY IN THE U.S.A.

By Professor John T. Dunlop

I would like first to make two background observations. The discussion needs to be put in this framework.

First, productivity, is determined by so very many things - by the changes in capital that Mr. Helstein was talking about at Session I, by science, by education, by health, by the industry mix, etc. - that we do not know how important in that total picture labour/management relations are as an independent factor affecting productivity. This conference is built on the premise that labour/management relations have something to do with productivity, and perhaps they do, but it is only honest to say that we poor academicians do not know how important they are; no one knows whether they are a major or minor factor in the total picture.

Second, as incomes rise in a society, the relative role of industry declines and services become more and more important. In our country at the present time we are very much concerned about productivity in the medical-care sectors, in education, government and so forth. At the present time only one-half of our Gross National Product is made up of goods. The rest is services. While industry is terribly important, looking at the economy as a whole, we must not get it out of perspective. Parenthetically, in our country agricultural productivity has been rising so much more rapidly than that of industry for so long that it is embarrassing and a source of many problems. Thus, the intensity of our problems of the Negro ghetto are related to rapid migration from agricultural areas to cities. So much for an academic viewpoint.

I would like now to make a few comments about the difficulties of communication across the table here today concerning the United States and British experiences. The term 'productivity agreement' or 'productivity bargain' is rather a special term used in Great Britain. I am told that Allan Flanders should be given credit for the first use of the term, at least in the academic world. This is of course the idea of making changes in practices, methods or organization of work, extent of overtime and the like for further wages or security. That idea is very old, of course, in the United States, as I am sure it is in Britain. In Britain, with an incomes policy that has just been through a full wage stop and is currently in a period of strong restraint, productivity agreements afford an opportunity to increase wages and accordingly, they have a special significance.

This discussion also needs to be cognizant of some of the difference in our industrial-relations system at the plant level. Our British friends should recognize that we do have national agreements as well as plant-level agreements and accordingly, there is a problem of the mix of the two in many relationships. When is an issue to be handled in a national agreement? When it is handled in a local agreement? There are questions

of the change in the disposition of an issue between local and national levels. Probably the major difference between our systems of industrial relations is the fact that our American agreements at the plant level are full agreements and provide for grievance procedures, including arbitration to settle all problems there, or in some relationships the parties leave certain problems open for a strike. The distinction in the United States between the terms of a new agreement and administering an existing agreement does not, I think, have a parallel in Great Britain, where a dispute over introducing a machine at the plant level for example, is not a question of applying the agreement. It is a problem that may be treated as if it were entirely new and subject to strike. This distinction in our industrial-relations system is fundamental and makes our communication very difficult around this table unless we fully realize the import of this basic difference.

I should now like to turn my attention to three kinds of so-called productivity agreements. I use this classification which George Shultz and Robert McKersie use in the lead article in the current issue of the British Industrial Relations Journal. The first deals with a grossly sub-standard productivity situation. It is a one-time situation basically, to correct accumulated problems from the past that may have their origins in a wide variety of difficulties. The source of low productivity may be the seniority system; it may be discipline; it may be the incentives system; it may be safety; it may be manning; it may be demarcation as you call it here, craft or union jurisdiction; it may be excessive overtime. Any one of these things may lead to a really bad situation, and the parties make a deal to modify and get rid of that poor performance for a price - a consideration. We have examples in our country and you have them too.

There is a second type of productivity agreement which is concerned essentially with manpower policy questions. If an agreement can be made to take care of certain uncertainties and insecurities we may be able to generate new responses from people. I refer to problems of plant shut-down, retraining programs, putting people on salaries rather than wage rates, and employment guarantees of all kinds. These measures are designed to meet a family of problems which are related to manpower uncertainties.

Finally, a third group of productivity agreements has to do with extra effort, extra effort resulting in extra earnings. The problem there is how to distinguish it from other forms of extra compensation: incentive bonuses, piece-rates and the like.

It is relatively easy to identify some of the bad situations that need cleaning up in industry. It is very hard for me to understand what productivity agreements should mean beyond that. Many of our managements and unions would say the whole collective bargaining agreement is related to productivity. General Motors and U.A.W. would no doubt say: We made an agreement in 1948 which had productivity and cost-of-living written into it and all clauses in the agreement in sense are related to

these fundamental provisions. Management right clauses or worker security provisions are inter-related in their concern with increasing productivity. It seems to me rather dangerous as a long-run proposition to say that certain parts of an agreement are designed to increase productivity, and other parts unrelated to productivity or perhaps even designed to decrease it. The whole agreement is a deal.

I remember lecturing at Oxford in 1958 trying to make certain of these points to English friends. I discerned then a difference between American management and British management as I knew it. I noticed that our managements seem to be more interested in getting something back for a wage increase. You don't give a wage increase and then go and look for another productivity deal. A wage increase is related in ordinary negotiation to means to increase productivity and efficiency. Management must get something in return for ordinary wage increases. Part of the difference in viewpoint is derived from the fact that more of our negotiations are at plant level or the company level.

Finally, there is no mechanical way to handle many of these problems. But the important contribution of collective bargaining to productivity is that it establishes a procedure to facilitate orderly adjustment and flexibility. It is by this test that collective bargaining should be judged. We are not going to live in a world where a one-time adjustment will be sufficient. The problem is a continuous adaptation and a continuing flexibility, and the problem of collective bargaining is to order the relationships between the parties so that a continuing series of adjustments can be made, particularly at the plant level.

LABOUR AGREEMENTS AND PRODUCTIVITY IN THE U.K.

By Professor K. J. W. Alexander

Although productivity is more the result of technology and investment than it is of man-management relations, productivity bargaining is concerned with the effectiveness and intensity with which labour uses the plant in which technology and investment are embodied. Therefore the two questions are not as distinct as has been suggested.

Professor Dunlop perhaps gave the impression that productivity bargaining has no part to play in services and distribution. This is not the experience of those in this country who have developed productivity bargaining. Professor Dunlop has made it very clear that there is really very little difference between productivity bargaining and normal collective bargaining for day-wage rates - both pay money in advance of getting the productivity, and this is what distinguishes them from incentive schemes. The distinction between normal collective bargaining and productivity bargaining is that the latter takes place at the level of the plant.

There are two things we have to guard against in our attitude to productivity bargaining. The first is that the difficulties of the economy in recent years - slow growth, rising prices, the difficulty of determining wage structures - could cause us to embrace one gimmick after another. The other thing we want to be even more careful about is that we may support productivity bargaining for short-term or highly sectional reasons. The unions may support it simply because they see in it a way round low norms established by a National Incomes Policy. Employers may see it as a way of "drawing the shop-steward's teeth" in a difficult situation. Neither of these is a very good basis for approaching productivity bargaining.

Having given these warnings I would now like to comment on a few of the most important problems connected with productivity bargaining.

1. Should payment be on a "once-for-all" or continuing basis?

Professor Dunlop has referred to the "one-time" case, and some people have argued that payment should also be on a "one-time" basis, i.e. restrictive practices should be bought out with lump-sum payments. The argument is that if you pay in perpetuity other firms and other countries will get productivity without paying in perpetuity and will thus be in a competitively better position. I think this overlooks that, so far as Britain is concerned, if you get the productivity you will pay anyway. Productivity bargaining should be seen more as a way of getting the increase in productivity than of paying it out. All our experience of collective bargaining under full employment with mature trade unions suggests that increased output will be mopped up anyway. It is desirable to have payment related stage-by-stage or step-by-step to the intended changes in working practices and for these changes to be very clearly specified. In the N.B.P.I. report¹ there is reference to an agreement which provides for the pos-

sibility of a withdrawal of payments if results are not achieved. Such a clause could lead to far more wide-ranging productivity agreements - firms would be willing or able to enter into agreements on more generous terms, terms that would interest the unions more, if there was this possibility of withdrawal if things did not work out. Obviously there are pitfalls, but it is an idea which is worth exploring.

2. Should productivity bargaining cover all employees in a plant or should it be selective?

The case for productivity bargaining covering all employees is very strong:

- (a) Distortion in earning structures will take place if it covers only one or a few sections;
- (b) It avoids creating the feeling that, if restrictive practices have been bought out in one section, the other sections that have not been bought out should create restrictive practices to be bought out in the future.

But this approval of universality as far as employees are concerned should not carry over to all aspects of custom and practice. I do not think it is possible to buy out all bad custom and practice in one deal. Management would be unable to digest all the bad customs and practices at one sitting, thus it is probably safer not to buy them all in one deal. But where there is a multi-union situation and the control of custom therefore lies in many, competing, hands the need to phase change may require discrimination in favour of one group of employees at one time and another later. This is unfortunate, and is a reflection of the disadvantages of a multi-union situation for productivity bargaining. In such circumstances the time-table should be established and agreed with all, in advance, so that pressures to rock the boat are minimised.

3. Should productivity bargaining be for the plant or for industry?

The Minister of Labour has given us an excellent rundown on the problem and on the attitude of the Confederation of British Industry to the problem. The C.B.I. is fearful of the cost-push effects of plant bargaining, and therefore they want to limit it very considerably². They also have, I think, some institutional reasons for opposing plant bargaining - they do not see what role national bargainers could play in plant bargaining. I think this attitude is mistaken. I believe that just as the unions would negotiate plant bargaining by using national officers who have specialist knowledge of particular industries, so the employers would bargain with the aid of national officers who have such special expertise. I do not consider that the spread of bargaining skill in British management is great enough to enable firms to bargain effectively by themselves, and one of the things that would improve plant bargaining would be negotiators with wide experience of it in many plants. The N.B.P.I. seems to be in favour of productivity bargaining at plant level, arguing that industry-wide product-

ivity agreements are too loose and vague. The careful advance preparation in each firm, often involving the reorganisation of management, cannot be achieved. If incomes policy considerations are set aside I have no doubt that productivity bargaining at the level of the plant is the correct approach.

4. The relationship between productivity bargaining and incomes policy

In the United Kingdom, at least, we cannot set aside incomes policy considerations. I argue from the acceptance of the need for some central influence and concern for income determination. In Britain at the moment the argument is not so much about whether we should have top-level influence over incomes but rather about which top-level agency should exercise that influence. Yet an increase in plant-level productivity bargaining would shift income decision downwards rather than upwards. Are the two tendencies irreconcilable?

An official of the C.B.I., Mr. Keeler, has suggested two ways which, "in theory at least", productivity bargaining can be brought to conform more closely to incomes policy requirements. The first is that it should be supervised, co-ordinated and possibly limited by industry-level agreement³. He considers it doubtful whether this approach offers much scope in the short term. I think that this approach could be adapted and extended fairly quickly in industries which wanted to do so. The problem is how to build plant-level productivity considerations into our existing framework. The other approach which Mr. Keeler suggests is to employ "a different method of fixing the income norm; by tightening up the criteria for departures from the norm, particularly those relating to productivity". He says, I think rather surprisingly for a C.B.I. man: "This approach has the advantages that can bring early results and that the initiative for adopting it lies with the policy planning agency, i.e. the government." If all that is meant is that the N.B.P.I. should spell out in greater detail the conditions under which productivity bargaining should be encouraged to allow "above the norm" wage movements, then I think this will be achieved. But if a more rigorous policing, going far beyond the spelling out of criteria, is meant then I think this could only frustrate any significant shift towards effective plant bargaining. There are too many firms for this to be done effectively other than by the laying down of broad criteria.

5. The relationship between productivity agreements and managerial functions

Our conference papers refer to a "common purpose" in industry. The T. U. C. statement on Productivity Bargaining⁴ suggests the desirability of moving on from acceptance of the need to co-exist to acceptance of interdependence. It points out that this does not imply complete identity of interest. In other words, not all purposes are shared, but some are. This is a situation similar to that which exists between citizens in a pluralist society. They do not agree about everything, but the basis of

a democratic society is a recognition of common interests and of the right to disagree.

Part of the case for plant productivity bargaining is that it provides a basis for determining what purposes can be regarded as common. With our existing forms of collective bargaining it is almost impossible even to begin to determine what purposes are common.

The idea of extending industrial democracy is unpopular in many quarters and despised as woolly and utopian in even more. Yet it is crucial if a recognition of common purposes is to be anything more than managements asking for the trust and co-operation of workers, on management's terms. If management sometimes get the feeling that their employees are a 'permanent opposition' they should ask themselves whether this does not arise from their having been put in that position - with no prospect of power and only a limited right to get answers to their questions meanwhile.

How does this issue arise in connection with productivity bargaining? Productivity bargaining is concerned with the control of the productive process. Initially the emphasis is on the dismantling of negative controls, erected in the past. Some part of the compensation for so dismantling will be monetary, but an exchange of positive influence for negative influence is also often implicit. The C. B. I. has spoken out for the sharpest possible distinction between negotiation and consultation, but there are surely limits to how far one can go towards industrial schizophrenia without having a complete breakdown. In plants where there is productivity bargaining this can only mean a further decline in the significance of what consultation there is left. The consultative process has withered away because the job it has been given to do has been such a minor, even paltry, one. Plant-level productivity bargaining provides an opportunity to revitalise interest in production matters, because these are directly related to pay, conditions and prospects. This coming together of negotiation and consultation would enhance the status of the trade-union representatives and bring into negotiation matters currently the exclusive prerogative of management, for the purpose of reaching a mutually agreed basis for increasing efficiency and rewards. The cool reception given to the proposal at the Prime Minister's National Conference on Productivity last September for experiments combining joint consultation and negotiation ("single-channel bargaining") is an indication of the strength of the opposition to any extension of industrial democracy. If this attitude prevails, I suggest that all talk of interdependence, far less common purpose, had best be recognised as ideology rather than reality.

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1. National Board for Prices and Incomes, Productivity and Pay during the period of Severe Restraint, H. M. S. O. Cmnd 3167 15 Dec. 1966.
 2. Confederation of British Industries, Evidence to Royal Commission on Trade Unions and Employers' Associations. November 1965.

3. W. R. C. Keeler, "The Relationship of Plant Productivity Agreements to Incomes Policy". British Journal of Industrial Relations. Vol. V, 1 March 1967.
4. Productivity Bargaining, Trade Union Congress.

GOVERNMENT, LEGISLATION, AND PRODUCTIVITY IN THE U.K.

By Allan D. Flanders

Speaking in my capacity as an academic rather than as a temporary part-time civil servant I should like to begin with a few remarks about the traditional role of government as regards industrial relations in this country. First and foremost its role has been limited to two purposes: to keep the peace and to deal with particularly low standards of employment.

Under the first head we have had public, but normally voluntary, provisions for conciliation and arbitration; and under the second measures like the Factories Act regulating, for example, hours and times of work of women and young people. Where wages were touched, a device was developed in this country which was intended to reproduce as far as possible the normal process of collective bargaining in the Trade Boards, now Wages Councils. The Government itself was not given power to fix wages: it could only refer back for further consideration the proposals made by these bodies, which were constituted with representative sides and independent persons, or else give them immediate statutory effect.

The non-interventionist role of government formed by very long tradition has profoundly influenced not only the form but also the actual style of collective bargaining in this country. Perhaps one of its most important characteristics is that it has made little or no work for the lawyers. That may have been hard on the lawyers (although they do not appear to have suffered unduly), but it was quite a pleasant thing for unions and employers. They preferred to conduct their own relations within a non-legal framework. There have always been two sides of that particular coin. It has meant that the growth of collective bargaining has been voluntary in the sense that it has been given little legal support, but equally it has meant that collective bargaining has not been subjected to legal regulation. On the whole, when the parties might well have appreciated more legal support for collective bargaining, they have been deterred from seeking it because of the prospect that, in some degree at least, it invariably leads to legal regulation in the way that the Wagner Act was followed by the Taft-Hartley Act in the United States.

When I say that there has been little or no legal support for collective bargaining, that does not mean that there has been no Government support, particularly during the two World Wars when the Government was intervening much more actively in the economy. The considerable growth in the extent of collective bargaining in these two periods depended in no small measure on the Government's using its influence to bring this about - a point which is often inadequately recognised. Moreover, in two other ways, public support has been given to collective bargaining: first, by a device we call the Fair Wages Clause in government contracts and other contracts in the sphere of public employment; and second in recent years by the limited use of compulsory arbitration to extend the application

of collective agreements. Nevertheless the fulfilment of the most crucial condition for the growth of collective bargaining - the condition of union recognition - has been left to be decided by the free play of social forces.

In the years immediately after the Second World War most people in this country - not only the unions and employers - were still very satisfied with this system. And it did have great advantages. Briefly, they were advantages of flexibility and responsibility. The fact that the parties not only made their agreements but interpreted them themselves without outside intervention gave them a good deal of freedom in finding acceptable compromises in the settlement of disputes. It also made them entirely responsible not only for making the agreements but also for sustaining the viability of their collective bargaining relationship.

It will be clear to you that this kind of self-satisfaction about the system is not so strong today. Perhaps the most striking sign of questioning is the setting-up of our Royal Commission on Trade Unions and Employers' Associations. The role of the Government is in fact already changing. It is becoming a more positive role. There was reference yesterday to some of the new legislation where the Government is playing a much more positive part as in the Redundancy Payments Act and the Industrial Training Act, and so on. But perhaps one of the most important new lines of intervention in industrial relations so far has come from the growth of the incomes policy.

I cannot deal fully with incomes policy but I want to use the experience of the last few years to bring out what seem to me to be quite strong indications of the form that public intervention is likely to take in promoting reforms in our system. Our White Paper on incomes policy is not all that dissimilar from the American guidelines, although perhaps it spelled out a few things in greater detail. There was the difference, of course, that it was agreed between the Government and the central organizations on both sides of industry, but perhaps the most significant difference, and certainly the most important innovation as compared with earlier attempts by post-war Governments to influence wages and sometimes prices, was that a new piece of machinery was set up - the Prices and Incomes Board - to apply policy to particular cases. Do not think that the Prices and Incomes Board is just, as it were, in the role of a policeman trying to tell the parties in particular cases whether they were conforming with the policy in respect of wages and prices. From the beginning it had to operate a productivity, prices and incomes policy, and productivity was put first.

The Board, in almost every case that has been referred to it, with a few exceptions, whether it was a price reference or whether it was a wage reference, has been forced to consider questions relating to the utilization of labour and of capital in the industries concerned. It has been very glad to do that. If a question arose whether a particular price increase was justified or not, you could hardly answer that question unless you examined whether there was any scope for economies and for reduction

in costs. If you agreed to a wage increase, you had to consider whether it was possible to offset this wage increase in any way. Among the many criteria under which the Board has had to operate was one which was (in shorthand) a productivity-bargaining criterion.

What I am trying to stress here is that the Prices and Incomes Board has been, within its own restricted sphere, and indeed was intended to be, an agency for reform. What is the essence of its method for inducing reform? As I see it, it is an entirely new development of an old method in this country and that is the method of public enquiry. We have had provisions in the past to set up courts of enquiry but they were essentially a conciliation and mediation or peace-making device. In the case of the Board, this is enquiry in a quite different sense, not just hearing all the parties, but uncovering the facts. Let me just give you one illustration on the wages side.

When the Board has a wages reference it is no good its looking at the rates that appear in collective agreements. It has got to get to know something about the actual pay-structure, and that means conducting its own earnings enquiry. The parties don't know the facts about earnings. The Ministry of Labour did a distribution-of-earnings survey in 1960 but this does not give sufficient data. So we have had to build up a staff for undertaking earnings enquiries. We have also had to employ our own firm of accountants on the costs and prices side and often to commission work from outside consultants to discover facts about utilization of labour, etc. In other words, you have three methods operating here. You have enquiry, you have measurement and, thirdly, you have publicity, and the conjunction of these things is, as it were, the function of the Board as an instrument of reform.

I believe that this is the way in which things are likely to develop as far as Government and more generally public influence is concerned in effecting productivity and influencing industrial relations. One of the undoubted shortcomings of our incomes policy has been that it did not get down to the shop floor because the application of the guidelines, as we had them, was practically irrelevant to most shop-floor situations. Often nobody knew, neither management nor workers, what the actual pay-structure was in which they were operating. One of the great questions, very much tied up with productivity, is how one gets changes in the shop-floor situation.

On this I would like to say rather emphatically that there is no lack of plant bargaining in this country. It has grown up to a considerable extent over the post-war years but it is quite different from plant bargaining in the United States. That difference can be described under three heads. First it is largely informal, its results are never put into agreements; second it is largely fragmented, that is to say, it is conducted with separate groups instead of in comprehensive negotiations. Third, it is largely autonomous, neither unions nor employers' associations nor industrial agreements control it.

This is where productivity bargaining comes into the picture. It was said yesterday by my good friend, John Dunlop, that plant bargaining was a buying-out of restrictive practices. Of course it is in one sense, at least it is certainly intended to effect change by furnishing some inducement for the acceptance of change. But I don't think that brings out the particular significance of productivity bargaining on the British scene. The real long-run significance of productivity bargaining is that it is a means of clearing up this mess on the shop floor. It is a means of re-introducing control in a chaotic situation, because this is the first step to bringing under some system of joint regulation a position which previously, though not entirely unregulated, was unilaterally regulated by the stewards on the shop floor. In order to bring this into some framework of order, you have to negotiate productivity agreements.

There are two other points I would like to mention. Because of our increased malaise and lack of satisfaction with our traditional system, there has been a good deal of talk, particularly on the employers' side, about the legal enforcement of agreements, with the idea that this would help to stop unofficial strikes. I cannot review all the arguments on this question but let me be pragmatic about it.

If you take our substantive agreements - the agreements regulating wages and things like that - the only formal agreements we have got in most cases (apart from firms outside employers' associations) are industry agreements. In most cases they merely set a minimum. Legally to enforce them would have no significance because of all the additional payments at plant level. On the other hand, there are procedural agreements. If the only thing that was lacking in our disputes procedures was that people would not observe them, then you could make out a good case for legal enforcement, but the most urgent need in regard to our procedures is their reform. If you introduce legal enforcement so that you enforce a bad procedure, you are not going to be better off. You are more likely to obstruct the process of reform. This, I think, is the most important thing - how does a Government help to force the pace of reform in this respect in regard to procedures, and particularly in procedures within a plant?

Here again I would attach a great deal of importance to the potentialities of the method of enquiry. In my own evidence to the Royal Commission one of the main proposals which I put forward was the setting-up of a permanent commission which would deal with all recognition, jurisdictional and indeed all procedural disputes. I did not propose that it should start with any legal sanctions, until some confidence had been gained with it and it was seen whether any sanctions were necessary. But it would fill a great gap in our system. We have no body to deal with recognition problems. You cannot deal with them satisfactorily by conciliation or by arbitration. We have no public machinery here. I don't think we will follow the American pattern in this with a fairly strong legal framework but we certainly need machinery, and machinery that is capable of introducing reform.

I see this as the line, possibly the most important line, of development, where the Government discharges its responsibilities for a more positive intervention in industrial relations, not acting as in the past simply as a peacemaker but with aims like productivity and the development of collective bargaining in view. What makes a fuller development of the method of enquiry so important is that in a certain sense we have all been living in a cloud cuckoo land in the realm of negotiations, talking about things without even knowing the facts of the case. Bringing to light the facts of the case is the necessary basis for effective reform.

GOVERNMENT, LEGISLATION, AND PRODUCTIVITY IN THE U. S. A.

By Mr. William E. Simkin

These comments should be prefaced by the admonition that I am talking for myself rather than for the United States Government, even though I am a Government official.

The major notion of the law and of executive administration in the United States is that the Government should intervene as little as possible in the collective bargaining process.

Mediation services are provided by the Federal Mediation and Conciliation Service for most industries and by the National Mediation Board for railroads and airlines. Mediators assist the parties but do not dictate terms of settlement.

Minimum-wage laws establish wage floors. The National Labor Relations Board decides representation questions and other matters. But, by and large, these governmental activities stop short of the bargaining tables, where the terms of the agreements are negotiated.

The Taft-Hartley Act and the Railway Labor Act, under different procedures, provide the President with powers to delay emergency strikes for a period of time but not to impose terms of settlement.

There have been four important exceptions to this general principle. They should be examined briefly.

During World War II, a tripartite War Labor Board had dual functions. One was to decide labor disputes within the context of a no-strike, no-lockout pledge. The other was to administer a wage stabilization program enacted by Congress.

Even though that wage stabilization program was developed some 25 years ago, it is worth re-examination. The first important point is that the policies that emerged were determined by the tripartite method (labour, management and public) rather than by legislation or by executive decision.

The basic policies included a cost-of-living "catch-up" formula known as the Little Steel Formula, a formula permitting certain increases of substandard wages, a recognition of the "rare and unusual" case (a case that defied generalizations), and one productivity formula. That productivity arrangement provided primarily for increased earnings under new incentive plans that would not increase the cost of production. It may be of more than academic interest that these World War II stabilization policies bear some resemblance to the current British "severe restraint" provisions.

The next excursion into controls was during the Korean War. This will not be developed here. It was short-lived and generally less successful than the World War II experience.

A third exception was an Act of Congress in 1964, ordering compulsory arbitration of a particularly difficult railroad dispute. This was a "one-shot" case - the only use of compulsory arbitration by the Federal Government.

The fourth exception was the "guidepost policy" enunciated originally by the Council of Economic Advisers in 1962. It is not fully accurate to characterize the "guideposts" as an exception because there never was any formalized compulsion by Act of Congress or by elaborate administrative enforcement mechanisms. However, they may be characterized as an exception in the sense that the President and various Administration officials did attempt vigorously to influence the wage contents of labour agreements.

The basic notion of the "guideposts" was challenged by very few people. On the wage side, it was and is the fundamental principle that if wages, in the aggregate, go up faster than productivity, an inflationary pressure is created. The guide is not the productivity of any one plant or industry. It is the over-all productivity trend, estimated by the Council of Economic Advisers at 3.2 percent per year. As the Council of Economic Advisers enunciated this principle each year after 1962, the 3.2 percent figure became a general guide for all wage movements with very few exceptions. On the price side of the "guidepost" theory, prices should go up, down or remain stable depending on whether productivity in the particular industry was less than, more than, or equal to the nation-wide average of 3.2 percent.

How did this work out?

On the wage side, in the absence of any outright compulsion, individual wage settlements varied widely - contrary to the "guidepost" admonition. However, from 1962 until early in 1966, the over-all average of wage and fringe-cost adjustments was close to 3.2 percent in manufacturing industries and over-all price-levels remained quite stable.

However, some time in mid-1966, the picture began to change. Prices of agricultural products and of services, not generally susceptible to admonition, were rising sharply, causing an upward tilt to the Consumer Price Index. Unemployment had dropped substantially and real shortages of skilled labour developed. These economic factors, plus increasing disenchantment of labor and management with the specifics of the "guideposts", started an upward movement of wage settlements, even in manufacturing. In its January 1967 Report, the Council of Economic Advisers abandoned the 3.2 percent wage guide and did not substitute any specific figure. The present situation is not by any means "out of hand", but average wage settlements in manufacturing have gone up to somewhere in the neighbourhood of 5 percent per year - with substantial variations below and above that figure.

As a personal attempt to summarize both the World War II and "guidepost" periods, I would conclude as follows:-

1. Labour and industry in the United States recognize productivity as one factor present at the bargaining table but only as one factor. Many other factors have great influence. Any attempt to oversimplify the bargaining process by sole or even primary reference to this one factor will not long prevail.
2. There is a general tendency for any one specific stabilization formula to "wear out" or become less effective with the passage of time.
3. At least in the United States, acceptability of any stabilization device or formula requires consultation with labour and industry in its formulation as a minimum requirement and active participation as an optimum ingredient.

To come back to where I started, it continues to be the fundamental notion in the United States that governmental intervention into the content of labour agreements should be restricted primarily to mediation and not to dictation.

SUMMARY OF DISCUSSION

Several members observed that different conditions called for different answers. Was the industry or firm one of high or low productivity at present? Was it expanding or contracting? Our dilemma, said a British trade unionist, is that we are trying to increase both productivity and job-security at the same time, and there is a conflict between them in such declining industries as coal, railways, textiles. (To which another voice added printing, as being so inefficient as to rank with the declining giants.) The British trade-union movement, continued its spokesman, has to face the question whether it can participate in the long-term re-adjustment of the economy that is necessary. The transition had been eased by legislation like redundancy payments and wage-related unemployment benefits, but future job-security now depended on a maximum re-deployment of labour. A union colleague of his, observing that the unions were entering a new era as part of the "establishment", said they had to take a fresh look at unemployment and recognise that the necessary interchange of labour required there to be a certain volume of unemployment above the unemployable, who were perhaps 50 per cent of the present unemployed in Britain. They had to think in terms of minimum as well as maximum healthy levels of employment. "We need an escape-valve in industry."

A good deal of time was spent on the problem of job-security. American employers testified to its importance from their point of view. One equated the sense of personal security in the labour force with the strength of the whole business. But this required frequent changes of jobs and re-training: "we need to train people nowadays not for a job, but for a lifetime succession of jobs." Reference was made to the Armour agreements, under which there had been a much higher labour mobility and no trouble in introducing new machines, although the initial programme of transferring workers to other plants or jobs had been a failure until they were offered a six-months' trial with option to revert. As an American trade-unionist pointed out, in this atmosphere the "fringe benefit" provisions in the contract become very important. Many contracts now permitted vesting of pension rights after 10 years, and the right to full pension at 62 could be used to accelerate attrition, when manpower had to be reduced.

A British member observed regretfully that instead of easing the movement of workers to the work, as our competitors did, we moved work to the workers, for instance in Scotland or development areas. "If unemployment in Scotland is low enough to be satisfactory, Birmingham is boiling over." Management and labour alike in Britain, said a union leader, must realize the failings of the past in regard to both re-training and job-security: "if you have a twelve-months' order book you should be able to guarantee, say, nine months' employment." But another British member said that in overmanned industries what was needed was to encourage a sense of insecurity.

It was recognised that the background conditions differed: while Britain

had broadly static total manpower, total manpower in the United States was constantly expanding. It was a paradox from the American point of view that in spite of full employment Britain had had over-manning. The growth of the United States work force had led to greater tolerance of surplus manpower. At the same time automation and technical advance were reducing employment opportunities in many industries, including steel, though there were also some technological changes which increased employment. This situation had driven the American labor unions, in their efforts to protect their members, to use great ingenuity in collective bargaining, to which it had added, as one member said, - "a new dimension." There was a dilemma for both parties: "when you fix high wage-rates you create an incentive to eliminate people." Said an American trade unionist bluntly: "If raising wages means that jobs are squeezed out by mechanisation, isn't that the object of higher productivity - that men should not sweat to do what machines can do for them?"

Two British trade unionists remarked on changing attitudes in this respect. "Wages drift" had raised take-home pay well above basic levels, but such earnings were insecure and the object now was to secure them through productivity agreements. The labour movement had an interest in creating a system of high hourly and base rates, rather than relying on inessential overtime. Incentive payment systems were being eroded in these changing circumstances.

An American trade unionist responded by saying that while a rational wage-structure was desirable, stability and rationality were being strained by rapid technological change. Job evaluation had to be constantly reviewed and questioned. For instance, in one case where new methods of job-assignment and training were applied, men had learnt in three months to do a job which in the past had been treated as highly skilled, needing four or five years' experience, and correspondingly paid. A colleague from the same quarter exclaimed "We reject the idea that there is anything scientific about job-rates." From the British labour side it was agreed that the whole occupational pay-structure was under pressure, with consequent pressure on negotiating methods. The trade unions had to fear too little automation, not too much, provided the problems were anticipated.

As for the common interest of management and labour, various views were expressed. An American said he did not see a sense of common interest developing much in the United States, and on the British side it was argued that the present collective-bargaining system failed to give the opportunity to realize the common interest, for it was essentially antagonistic, and was general rather than at plant-level, where alone productivity could be raised. "One problem", said another British manager, referring to progress in his industry with plant bargaining, "we have not been able to solve: how do we identify the employees with the success of the enterprise? Our whole attitude towards profits needs to be re-examined - by management as well as by the unions." "Profits is not to me a dirty word," responded a British trade unionist: "unless

there are profits we have nothing to argue about." But he warned that there is a third party to the common interest, namely, those who cannot benefit by collective bargaining. In their interest the object should be not only higher profits and better earnings but also a cheaper product. It was not only the C. B. I., observed another spokesman for labour, that had doubts - as Professor Alexander had mentioned - about consultation and negotiation on productivity; some trade unions were equally sceptical about getting involved. A process of education was necessary on both sides of industry: "industrial democracy must grow from the roots upward."

A protesting British voice was raised against the "unhealthy agreement between unions, management and government." Successive Governments had debauched the employers by making economic life too easy for them. Members of strong trade unions had got what they demanded, at the cost of the nation as a whole. A trade-union leader agreed that the present situation was both chaotic and unjust. Industries could be identified which had done very well under the free-for-all, and others which had done very badly. "We need to curb the worst excesses of the labour market." It was not a question of some public agency being able to impose part of the content of a wages contract, but of whether it could influence what went into the contract. He thought it doubtful whether the T. U. C. could exercise that influence: trade-union leaders were too much involved themselves to be objective, nor had they the mechanism for the deep investigation which was sometimes needed. He therefore agreed that an agency like the National Prices and Incomes Board should have the right to require information before conclusion of an agreement and thus to influence its content. Other British trade-union representatives held different views on this matter. One thought the trade-union movement was united against the Prices and Incomes Board. Although the T. U. C. had accepted the incomes policy, it must stick to its collective bargaining principles and never allow itself to become an instrument of government.

An apologist for the British Government explained why they had been obliged to intervene in wages settlements. Full employment was not an act of God, and he doubted whether they knew the secret of maintaining it permanently. If the parties to industry imposed or tolerated restrictive practices, full employment would go. Management had the duty to manage, and it ought not to be impeded in managing. Many employers and trade unions, he said in reply to a question, would get a cold douche if Britain entered the Common Market. The trade unions, said a British union leader, have regarded what others call "restrictive practices" as protective practices. The time to seek to remove them is when there is full employment. But to expect them to disappear for all time in return for a single payment in terms of wage-benefits is trusting too much to the human nature: constant vigilance must be maintained.

The theme of the right and duty of management to manage continued into later phases of the discussion. Progress in productivity, said a representative of American labour, has to come from the initiative of

management, though on both sides of the Atlantic they knew of managers who were not prepared to manage. The trade unions, being primarily democratic organs moved by internal pressures, were incapable of the necessary direction and flexibility. Certainly the trade unions would raise hell if their members suffered, and would fight for the best advantages for themselves - that was their function - but it was the duty of management, while not refusing the price, to resist obstruction. Had not the unions a responsibility for pushing management, asked a British labour leader. If so, replied a management representative, they must think out what they expect from good management, and be structurally ready to respond. The unions can and do sometimes take the initiative, said another British trade unionist. They had done so, for instance, in the road haulage industry. He was amazed at the inefficiency of some managements, and at how slow they had been to take advantage of the recent shake-out of labour. An American trade unionist thought the report of Group B was too tender-hearted as to the degree to which management must accept responsibility for the success of the enterprise. What, he asked, does management think it is there for?

An American with experience of British industry thought that the main reason why British management was not taking more initiative was lack of adequate contact between management and labour. You cannot, he said, solve the problems of management without knowing the facts, including what the other man thinks, and British management showed little inclination to find out. A change of attitudes on both sides was essential, and there were signs of its taking place: certainly management now had a growing social conscience. On the union side, though this also was changing, there was far less recognition in Britain than in the United States that there must be profits. ("New attitudes," interjected a British labour leader, "do not mean that both parties must think alike.") A British manager thought this analysis much too polite to his side of industry. All those matters were matters of managerial competence. The fact was that American managements had assumed responsibility and initiative in a way that British managements had not. The weakness of British management, agreed a trade unionist, had been in its priorities. It had largely ignored labour relations, regarding them as matters on which it took its cue from the unions. Productivity bargaining could change this situation.

That contrast between Britain and the United States was not entirely accepted on the American side. One expert observed that the Kaiser Plan (for productivity based on saving of labour and materials) had originated in the ideas of trade-union men. In elaborating it the greatest savings in costs had derived from suggestions coming from the shop floor. The Plan had not been imposed by management but had required a long period of education. Both the Kaiser Plan and the West Coast Longshoremen's agreement, said another, had resulted not from the genius of either side but from the pressures of the actual situation. The important thing was to agree upon and state the mutual objectives while recognising that they

could not be achieved all at once. Most people in the American labour movement, said one of its spokesmen, would agree that the initiative in matters of technology belonged to management; but the initiative in labour relations had usually come from strong unions. It was a question, agreed another American trade unionist, of action, response and inter-action: the important question was, what was done in pursuit of the agreed objective. British and American managements and unions, said an American industrialist, face basically the same questions, and the comparison was a relative one. The apparent agreement of American labour and management on this issue at the conference, he said, did not permeate by any means all labour relations in the United States. We do not live in Utopia, said another. Managers have the right and duty to manage, but they are human beings, prone to error and weaknesses. Their attitudes are much affected by the differing power-structures that they face in the unions. He for one had found the constructive attitude expressed by British trade unionists at the conference very refreshing.

The last word on this topic rested with Lord Cooper. "Management", he said, "needs five senses: common sense, a sense of action, a sense of responsibility, a sense of perspective and a sense of values - to which I would add a sense of humour."

There was considerable discussion of the relationship and comparative merit of nation-wide agreements and agreements at plant level. (A warning on the risk of confusion in Anglo-American debate on this subject appears in the Introduction above). A British trade unionist expressed the view that plant bargaining should be contained within a national agreement, otherwise there was a risk that it would lead, not to more productivity, but only to "wages drift." We must recognise that national bargaining had at present little real effect on the wage-rates actually paid. How, asked an American labour spokesman, can you settle wage-terms rationally with shop stewards who are not responsible to a national body? (A British trade unionist had complained that managers often gave to militant shop stewards what they refused to responsible national unions.) It was a two-way relationship: national agreements should be concluded after the local issues had been resolved, and means were required to assure that what was agreed nationally in the interest of productivity was actually carried out on the shop floor.

What is the case for the national agreement in the British sense, bluntly asked an American industrialist: plant bargaining alone identified the interest of the worker with the fortunes of the plant. Historically, an American expert answered, the object of national agreements had been to put all employers on the same competitive basis and prevent undercutting on wages and conditions. From a single-product industry like cotton this had been extended to multi-product industries like engineering. The growth of plant productivity bargaining was bound, he thought, to force the trade unions to reconsider the role of national agreements in respect of competitive advantage. The answer seemed to be to break up the industrial complexes into "productivity blocks" for which distinct

agreements would be negotiated.

A British trade unionist gave another answer. The unions had been concerned with the overall economic factor and social justice. The general result of industry-wide bargaining had been industrial peace. It was conspicuous that in the engineering and motor industries, where the record of productivity bargains had been better than average, the record of industrial warfare had been much worse. Evil lay in uncontrolled plant bargaining, and the problem was to combine the best of both forms of agreement. Chemicals was an example of success in this respect. A union colleague of his also reminded the conference that the British scene was far from uniform. In some quarters, like the nationalised industries and chemicals, there was strong and pervasive national bargaining. In others, national agreements, while effective, left room for local negotiation. In a third group, which included engineering, national agreements were weak and most of the real negotiation was at plant and company level. It was a question of balance between plant and national agreements. And an American expert on labour relations agreed. Inefficient practices always appeared to those who benefited from them as advantages. They had to be persuaded by their national leaders and taken care of by national agreements. The Kaiser Plan, for example, would not have been possible without the support of the national union. On that note of balance and pragmatism the discussion appropriately ended.

GROUP REPORTS

Terms of Reference

The effectiveness or otherwise of labour agreements designed for higher productivity, including better labour-management relations and greater motivation, or the problems obstructing such agreement.

STEEL IN THE U.S.A. AND THE U.K. SHIPBUILDING IN THE U.K.

REPORT OF GROUP A

The Steel Industry in the United States and the
United Kingdom

The Group discussed the evident distinctions between the steel industries of the two countries. Some of these contrasts seemed on closer examination more apparent than real. Others reflected basic differences in the respective institutions and the roles they play. In particular, attention was paid to problems arising in the following three areas looked at in a productivity setting.

- (a) Over-manning and technological innovation,
- (b) Negotiation and collective bargaining,
- (c) Wage structure.

(a) Over-manning and Technological Innovation

The view that over-manning constituted a serious threat to the competitiveness of the British steel industry was generally accepted, although there may be differences of opinion about the degree of over-manning. Employers suggested that it runs out at between 30% and 40% for the industry as a whole. The problem was discussed as it affected The Steel Company of Wales. This company in 1964 set itself to reduce manning by 50% at its main plant, taking into account a projected modernization programme, the exercise to be completed by 1971. Its approach to the human problem involved was to attach considerable priority to redeployment by co-operating with Government agencies in attracting industry to the locality and by other measures. The company's policy was also to divide the savings achieved by this reduction between the company, the employees and those laid off. Guidelines to determine the respective shares still have to be negotiated with the unions for the exercise as a whole, although compensation for reductions already achieved had already taken the form of special retirement payments, lump-sum payments and wage increases.

The present degree of over-manning appeared to result from the operation of traditional factors such as the practice of employing craftsman's helpers or mates (at The Steel Company of Wales on a one-for-one basis) and partly on the inability of management to set realistic manning levels on new processes and plant arising from technological innovation. Managerial weakness in this area became particularly acute in the post-war years through a combination of influences: a buoyant domestic market, high employment and well-organised union pressures. A joint willingness to

examine such questions in a different light has been more noticeable in the 1960s. Looking to the future, the unions have already acknowledged the constructive role they will have to play in the setting up of any re-organisation of the industry under nationalisation. Part of this responsibility will derive from their stake in the management of the industry. Union leaders emphasised the advantage of being involved at the level of policy decision-making.

In the United States an over-manning problem (including use of helpers or mates for craftsmen) did not exist in the sense described for the United Kingdom. Under the typical labour contracts in the industry, management has the right to set manning levels in the event of technological change or introduction of new plant. Accumulatively this has had the effect of maintaining more realistic manning. Any necessary reduction has been achieved by attrition (wastage), and problems on the scale of The Steel Company of Wales do not exist in the United States steel industry. The degree to which the American experience in this area could be said to be more successful could for present purposes be examined in the context of the collective bargaining system.

(b) Negotiation and Collective Bargaining

The immediate connection concerned the extent to which the American system of collective bargaining had been successful in largely confining negotiations to contract renewal, together with a binding no-strike and arbitration provision, which provided for the resolution of matters of interpretation during the term of the contract and retrospective (retro-active) redress without any interruption of production or any delay in giving effect to management decisions. The acceptance of this system by unions and employers allowed for the successful absorption of technological innovation. Both parties adopted the policy that it was management's responsibility to manage the plant, with the union having the right to utilize the grievance and arbitration machinery. Inherent in this system was a fixed contract for an agreed period of time, currently for a three-year term.

At the same time the contrasts in collective bargaining machinery between the two countries in terms of the application of national bargaining were not so marked as in other industries. In the American steel industry there was a considerable degree of national bargaining covering ten major companies. Uniformity was further assisted by the dominant position of United States Steel, which, together with Bethlehem Steel and Republic Steel comprised more than half the industry.

In so far as a comparison can be made, there is a similar position in Britain with The Steel Company of Wales negotiating its own agreements directly with the unions. Clearly a completely different picture would have emerged in the United States had bargaining been based on a multi-union situation. American experience suggested that the single industrial union arrangement presented fewer problems. The experience of The

Steel Company of Wales had highlighted the degree to which multi-union bargaining had complicated and stretched out the detailed plant bargaining required in productivity agreements. Not only do there arise mechanical and practical problems in negotiation, but also those of demarcation, which could seriously hamper either the process of change, or continuity of production, or the quality of inter-union relations, so important in the multi-union setting. Such problems in the United Kingdom were of course by no means confined to The Steel Company of Wales. At the same time the change of attitudes already referred to had led unions to review the requirements of the industry as a whole rather than the interests of their own separate organisations. There was greater acceptance on their part that some reconciliation had to be made - and was being made as instanced by current productivity bargaining - between craft unions particularly and their demarcations. The unions consider that joint responsibility for the productivity of the industry should become more noticeable with nationalisation.

(c) Wage Structures

The jungle of wage rates in the United States steel industry was once the cause of more than 90% of disputes and wildcat strikes. A joint industry-union programme known as the co-operative wage study, completed in 1947, rationalised the wage structure on an industry-wide basis. However, now, after 20 years, technological development in the industry was bringing increased pressures on the original wage structure. The high degree of automation had resulted in some manipulation of the system. The problem was one of maintaining appropriate wage relationships in the face of a continuing trend towards simplified job contents. In the United Kingdom a wages jungle was more characteristic of industries like steel and engineering than those covered by joint industrial councils. At the same time the degree to which the unions are themselves capable of joint action represented the best hope in the current situation of simplifying wage structures. An example of this in the motor car industry was Fords. The Steel Company of Wales aimed to reduce their pay grades from 1,300 to approximately 10 main pay rates, but no swift progress was likely should negotiations have to be conducted with the unions separately. Steps have already been taken to cover this difficulty.

In a productivity agreement it is virtually impossible to determine in a rational manner the wage increases to be paid as the manning runs down unless some such rationalisation of the pay structure has taken place. This is the next task facing The Steel Company of Wales. In this connection, however, the wide discrepancy in employment of industrial engineering techniques in the steel industries of the two countries was noted with interest. Clearly companies like The Steel Company of Wales had an immense amount of ground to make up in the relatively basic problems of work measurement, setting accurate work standards, creating the necessary controls and carrying out method study to an adequate degree.

One or two other matters were briefly considered. In particular the Kaiser plan and its bargaining arrangements were discussed. There was not sufficient time to deal with this subject in depth. The arrangement was recognised as a cost-savings plan, as opposed to an essentially productivity agreement. This English term of art continued to puzzle American members of the Group, who queried how it was possible for management decisions on wage bargaining to be in some way divorced from productivity, claiming that all their labour agreements were by definition productivity agreements.

The Shipbuilding Industry in the United Kingdom

In the absence of a full review of the American shipbuilding industry it was noted that this was a particular example of a declining industry characterised by low productivity and low capital investment.

These features had also been characteristic of the British shipbuilding industry, but the broad picture at the present time was one of very considerable change, both in the structure of the industry and in the attitudes of those who work in it. The Government appointed the Geddes Committee against a background of chronic under-utilization of resources by British yards, of a shrinking share of world markets and an ever-increasing threat from Japanese shipbuilders. As a result of the Geddes Committee proposals, employers and unions had been engaged in a mutual reassessment of their relations, with a view to setting them on a new basis for the future. To assist this a Joint Industrial Consultative Committee had been formed. There were already some immediate results, and attention was currently being paid to developing a more effective procedure agreement. There were agreements on the relaxation of working practices and also to improve relations at the work place. Both sides of industry affirmed their commitment to resolve disputes on a basis of priority. A dilution agreement had also been signed to ease the shortage of specialised labour when it was in demand. In an essentially craft industry it had also been necessary for the newly constituted Shipbuilding Industry Training Board to carry out a radical reappraisal of craft curricula so that the content of apprentice training took into account the increased degree of craft interchangeability. A reduction in the term of the apprenticeship was envisaged. On the structural side, employers were being encouraged to reorganise themselves into five main geographical groups. A Shipbuilding Industry Board had been set up to review progress in this direction. It had financial and credit facilities at its disposal to use as an incentive to employers to complete the mergers and other matters as recommended by the Geddes Report. Associated with this were plans for greater specialisation of manufacturing functions leading to further savings.

The difficulties of the industry as they applied to one yard - Fairfields (Glasgow) Limited - were examined. However, this case study only emphasised the problems, as they all appeared to be doubly critical in

this company. The remedial measures were therefore much more radical. In particular the following changes were being made:—

- (a) Changes in management, with a large-scale injection of new management and a formation of a management services group charged, amongst other things, with introducing and applying industrial engineering and other control techniques for the first time.
- (b) A new negotiating procedure aimed at achieving closer relations between the company and the unions and among the unions themselves.
- (c) A complete revision of the wage structure incorporating job evaluation and measured day-work.
- (d) Agreement with the unions on the relaxation of working practices.
- (e) Effective machinery for handling demarcation problems. In the event of such a demarcation dispute threatening a launching deadline the management decision was accepted and the issue referred to arbitration. In any other circumstance a status quo provision applied.

Summary

There was no intention of cataloguing exhaustively either the problems of productivity and collective bargaining in the industries surveyed nor of listing all the necessary criteria which it was thought must apply for successful productivity agreements. From the limited field reviewed, however, four points were considered significant.

- (1) The inherent ability and resourcefulness of both management and unions to respond to difficult situations was evident in the material reviewed. Furthermore, such response could spark off changes in attitudes held at a deeper level and strongly established.
- (2) It was important to recognise the degree to which productivity could be assisted by the collective bargaining arrangements that apply. This was not solely a question of single or multi-union bargaining but of the extent to which the agreement provided for a mutually satisfactory and defined management role allowing for effective action and control and at the same time effective redress and safeguards for union members.
- (3) The previous point raised a general issue concerning the extent to which productivity bargaining in the United Kingdom could proceed without major effects on the whole structure of collective bargaining and the form of collective agreements. The two case studies considered (one in steel and one in shipbuilding) were instances where the firms were divorced from the wider collective bargaining arrangements of their industry as a preparatory step to negotiating a productivity agreement at plant level. Possibly

this had important implications for employers' associations and the unions in the United Kingdom and for productivity bargaining.

- (4) Industrial enterprises were open to the danger of parochialism, although perhaps less so in the more mobile society of the United States. In British shipbuilding this had become stifling with the necessary clustering of shipyards on geographical grounds, so forming closed groups with little communication outside the industry. This factor affected the employment of the latest managerial and scientific techniques and of qualified specialists. In extreme cases massive injections of new blood were the only means available for a change in attitudes as well as procedures and practices.

ELECTRICAL ENGINEERING IN THE U.S.A. ELECTRICAL AND GENERAL ENGINEERING IN THE U.K. REPORT OF GROUP B

Background Factors

Labour agreements in the sections to be considered had to be seen in the context of the profoundly different industrial relations systems in the two countries. For example, the American system was more structured by law than the British. The law required an employer to bargain in "good faith" with a particular union if a majority of the workers in a bargaining unit so wished. The law also provided machinery for determining which union shall be recognised. This was in contrast with the United Kingdom where no corresponding law existed and where industrial relations had traditionally been regarded as a matter for employers and workpeople, without interference from the state.

Another matter of great importance - which to some extent arose from the legal situations affecting labour relations in the two countries - was the form of collective agreements. In the American case these were usually long, often very complex, and always extremely detailed documents by comparison with British agreements. The American agreements remained in operation for a fixed period, e.g. one, two or three years. Since it was usual that a matter once agreed upon cannot form the subject of fresh negotiations until the date set in the agreement, both sides were anxious to ensure that every reasonable contingency was guarded against. In the United Kingdom it had been unusual to set a definite time on the validity of an agreement and fresh negotiations can be, and were, initiated at any time. However, it was true that movement towards fixed-term agreements had taken place, and about six million workers (25%) were now subject to them.

A popular belief that British collective bargaining was based on national agreements while the American system rested on plant bargains was a gross over-simplification. The American system had both multi-plant and single-plant agreements, although even in multi-plant bargaining situations single-plant agreements were an important feature. The British system provided for a national procedure agreement and minimum rates covering most employees in all sections of engineering, including electrical engineering and motorcars; a great deal of plant bargaining did take place in the engineering industries, but in a fragmented and erratic manner, with what appeared to be chaotic results. (This matter is dealt with in greater detail later in the report).

A further background factor related to general attitudes towards productivity. In the United Kingdom there was general agreement on the need for a rapid and sustained increase in productivity. Despite this, the actual increase in productivity has been anything but rapid and sustained.

Many factors were regarded as contributing to the different productivity performances of the two countries. However, there was agreement that the prime responsibility was that of management. Competent, firm, efficient management existed in the United Kingdom as it did in the U. S. A. , but these attributes appeared to be recognised as exceptional in the U. K. , while in the U. S. A. they were regarded as essential. For example, as regards negotiations, American managers appeared to have more success in entering negotiations with a clear and detailed view of what they were trying to achieve. The knowledge was derived from the whole range of available information about research and development, production schedules and sales forecasts, capital requirements and investment needs, manpower supply and demand, and other relevant aspects of the business. For their part, union negotiators also equipped themselves with data on these issues. In short, negotiators started off with a clear idea of what might be required to use the firm's resources with optimum efficiency to achieve desired results, and the probable cost involved.

Negotiating Systems

The collective bargaining processes in General Electric, Western Electric and the Ford Motor Company in the U.S. and the British engineering industry were explored in detail.

In all three American cases there were multi-plant and single-plant agreements. But the relative merits of company and plant agreements were conditional on many factors. Ford preferred to emphasize the multi-plant agreement while General Electric hoped that decentralisation would continue. This difference was explained by the nature of the two companies: Ford plants, although spread geographically, were seen as a single integrated production system, while General Electric plants manufactured a wide range of different products.

The distinction between companies according to whether they manufactured products of basically identical type or a range of dissimilar products was identified as important for other reasons than that indicated above. For example, it was a factor in determining the best kind of financial incentive system, and in shaping policy regarding the desirability or otherwise of standard basic rates for the entire industry or differentials based on "community" considerations.

The British view suggested that fixed-term comprehensive contracts appeared to force both managers and trade unions, in a high wage economy, to examine very carefully how to get the highest levels of efficiency and pay. These agreements stimulated the parties to forecast and plan ahead to an extent that was unusual in the United Kingdom. Because the negotiations were directly with a specific employer they could be related directly and potentially to matters under the control of the company. Therefore they could reflect productivity considerations in a more meaningful way than could be done in an industry with plant agreements unrelated to considerations affecting other levels.

In general the American view was in agreement with this assessment, but stressed that while the labour contract was a legal document it could of itself achieve nothing. Three background factors were important. First, in the last decade, in the industries represented in the group, there had been little resistance to change by the unions either in theory or in fact. Second, the "people planning" necessary could be and was carried out in the substantial interval that typically elapsed between the decision to automate and the fact of automation. Third, management itself accepted - and, indeed, insisted - that they were responsible for minimising restrictive practices.

It was explained that in the British case the engineering industry agreement covered most employers in the whole range of engineering, electrical engineering and motor car production. National industry-wide negotiations were carried out on behalf of the 35 unions with membership in the industry by the Confederation of Shipbuilding and Engineering Unions, which operated through an Executive Council of 30 members and 4 industry groups. Thus the engineering agreement covered very large enterprises as well as many small firms in a wide variety of (in fact, separate) industries. It was said that the effect was that agreements tended to be based on the "firms least able to pay." In a period of full employment and labour shortage the consequence was that plant and sub-plant bargaining had grown in rapid fashion. Employee representatives of a number of unions - the British firm typically was a multi-union shop - negotiated what they could without much regard to the national agreement, with the result that actual rates were almost invariably higher, frequently very much higher, than the nationally agreed rate. The national agreement was relevant only to comparatively few men who could be found in all parts of industry and were paid on very low rates.

The British members felt that the American system had obvious attractions in the light of British experience. An interest in intra-company-wide agreements was developing in the United Kingdom, but progress was very slow. The problem was a complex one involving changes in management and union attitudes and organisation, but the existing system was under pressure. Immediately, what was required was that the major firms and the unions should each seek to analyse their needs relative to the increasing rate of technological change in the existing system. It was thought that growing interest and action in the field of incomes policy and the forthcoming report of the Royal Commission on Trades Unions and Employers Associations would lead to (perhaps rapid) developments in this field.

Pay Structure and Financial Incentives

The pay structure in the industries represented by the American members was based on job classification systems. Although the basis of the systems used was agreed or accepted between the management and unions the typical contract did not provide for any interference with the system during the period of a contract, but in some cases (e.g. Western

Electric) arbitration was possible about whether the job evaluation had been carried out in accordance with the terms of the agreed system. It was noted that in Britain generally there was growing interest in job evaluation as a means of achieving a consistent wage structure commensurate with more rapid technological change.

Considerable attention was given to the relative merits of time rates, individual or group incentives, and measured day work. On this matter American and British experience led to similar conclusions. Where circumstances were suitable (e.g. in batch production with the tempo of production under the worker's control) a financial incentive system based on accurate work-standards had much to commend it from both the employer's and the worker's points of view. It was reported that Western Electric's experience showed that a properly administered financial incentive was to be preferred over alternatives even when costs of administration had been taken into account. In the American automobile industry measured day-work was preferred.

Conclusion

American experience in the two industries under consideration would be most helpful to Britain. They appreciated that each aspect of the situations they considered was part of a much wider context and could not necessarily be transplanted out of that context.

In their view the most obvious difference between the two countries was a greater willingness of American managers and trade unions to respond to the demands of greater industrial efficiency. For the United Kingdom a further point of importance was that the consequences of technological and industrial changes should urgently be taken into account in determining the most appropriate bargaining system. In the British case there appeared to be an overwhelming need for deeper study followed by rapid action, to implement whatever changes were found to be necessary in the bargaining system.

OIL REFINERIES AND CHEMICALS IN THE U.K., PRINTING IN THE U.K., MEAT PACKING IN THE U.S.A. REPORT OF GROUP C

I. INTRODUCTION

The Group observed that improvements in productivity were the result of a wide variety of factors such as capital expenditures, scientific advances, improvements in education and health and labour/management relations. The factors which improved productivity were highly inter-related and the independent influence of labour/management relations was very difficult to isolate.

There were wide differences in the influence of labour/management relations on productivity among different industries and enterprises. In both the United Kingdom and the United States it was important to bear in mind this diversity rather than to depict a single simple pattern of interaction.

II. PRACTICES, CONDITIONS AND RESPONSES IN THE OIL, CHEMICALS, PRINTING AND MEAT PACKING INDUSTRIES

(a) Oil Refineries in Britain

The oil refining industry in the United Kingdom was essentially a post-Second World War industry, the majority of plants having been built in the decade 1950-60.

It was therefore not only a technologically-advanced and capital-intensive industry, but a new industry with generally a young, outward-looking management group, with many opportunities for international comparison.

In the late 1950s the industry realised that by international comparison it was overmanned. The causes of overmanning were outmoded working practices and conditions. These included high overtime levels, demarcation between craft unions, a large-scale use of unproductive craftsman's mates (or helpers), unproductive time allowances, restrictions on general workers doing even marginal craft work, and restrictive use of supervision.

Starting at Esso's Fawley refinery in 1960 the industry, by a series of local plant productivity agreements, set about abandoning many of these outmoded practices and conditions. Overtime was drastically reduced, increased inter-craft labour flexibility was achieved, mates re-trained for more productive work, unproductive time allowances reduced, process workers commenced to do some maintenance work, supervision was used more effectively.

It now compared well internationally; as an example of increased productiveness Fawley refinery, which had a manning of 3,500 people in 1958 for an investment of £80 million, now operated an investment of £120 million with 2,500.

Despite some efforts made by managements as new refineries were built to incorporate a grass-roots approach to labour relations (this has been particularly noticeable since 1960), in the 1950s working practices and conditions were largely imported with the newly-recruited work force. This could be explained, but not excused, by the fact that in most managements the technical challenge of starting a new, highly automated, plant received priority over labour relations problems. When the technical challenge had been overcome attention, albeit belatedly, was focussed on the labour relations problems with significant results.

The unions responded well to this management initiative. However, the unions undoubtedly contributed to the industry's problems in the 1950s. They were ambivalent over overtime, challenged efforts to reduce demarcation, and with a new and developing technology sought to establish new craft barriers.

(b) Chemicals in Britain

In I.C.I. the symptoms of an unsatisfactory situation noted by management were provided by international comparisons and a payment structure unsuitable for an industry subject to rapid technological change.

Paper studies within the company showed that as well as poor organisation of management and supervisory structure there were five major obstructions to manpower utilisation which could be removed only with union co-operation.

Labour costs were rising at about 5% per annum and the work of behavioral scientists was clearly demonstrating that our assumptions about people and hence the management action based on these assumptions were wrong, and that as a result management action and thoughts on organisation did not motivate employees towards a positive response and a high contribution to work. Unions had expressed dissatisfaction with many aspects of payment structure.

A major cause of these symptoms was that management, cushioned by a monopolistic position in the home market and a low percentage contribution of labour cost to total cost, concentrated on technical efficiency and so recruited and developed the wrong managerial balance oriented to the wrong objectives, i.e. technical efficiency rather than overall business efficiency. The result was that, when external factors changed, management failed to react speedily to the changed priorities of effort required by such things as full employment and rapid growth.

The action taken was for unions and the company to meet nationally to evolve a framework agreement which overcame the flexibility and restriction problems, laid down the work standard and provided for a new

payment structure containing financial benefit, enhanced security of employment, enhanced sickness benefit, a greater stability of earning and a change to staff status.

This agreement was now to be tested at three sites where local discussion and negotiation is taking place about the detailed manning, organisation and practice changes together with the establishment of the salary grade for each job as it was modified.

In British Oxygen Ltd. an inflexible wages structure helped to produce a high rate of overtime drift (giving in one case a 70-hour working week) and widely varying rates of working throughout the 50 plants. The trade unions proposed an examination designed to reduce overtime while protecting earnings. This resulted in a productivity agreement reducing hours by 15%, introducing a standard 25% bonus, with agreement by shop stewards and management, on works plans (involving labour flexibility) which ensured for the shorter hours the same production as for the longer hours.

During the post-war years in both countries trade unions were not involved by management in questions of industrial efficiency - except marginally where their co-operation was required. Their collective bargaining activities were largely motivated at the national level by cross-industry comparison.

At the local level their members, where present, were involved in company-created consultative bodies which were debarred from considering questions of wages and conditions.

The agreements made by trade unions at a national level, which were generally separate for craft and non-craft unions, were undermined by wages drift elements, which reflected the exercise of workshop sanctions and local management weaknesses, which together undermined union authority.

To change the wage structures involved increases in cost beyond those which would normally be met through traditional collective bargaining. To achieve the changes required, unions responded to productivity bargains which provided earnings sufficient to meet the cost involved in meeting their objectives.

The process of productivity bargaining had led them to examine the relationship in these industries between national and local (plant) negotiations, the need to integrate consultative and negotiating procedures, and the need to have multi-union bargaining.

(c) British Printing Industry

The British printing industry presented in the most acute and obvious form the general problem of industrial relations in a closed entry and closed shop situation.

Employers in membership of the Newspaper Proprietors' Association

had for half a century regarded it as a first priority that the national newspapers should be produced and on the breakfast table of their customers, the readers, irrespective of the cost involved. It was virtually unknown for any newspaper publisher up to 1960 to take a managerial decision refuting a union claim which might result in either a total stoppage or partial interference with the production of an issue.

It seemed that this attitude arose for two main reasons:-

- (i) The proprietors really believed in the vulnerability of their product if it was not produced on time.
- (ii) The national papers in Great Britain were mostly owned by families who used them for purposes of political power and influence. The owners had not regarded them as a business enterprise requiring a purpose, philosophy and policies to maximise efficiency and therefore in the longer run profits.

As a result of the acceptance of the theory of vulnerability the grossest overmanning had been common in all newspaper offices; excessive overtime came to be regarded as part of the employee's normal pay packet; restrictive practices and demarcation disputes had compounded the problem.

The consequence of this failure by managements to recognise that they were running a business as well as an instrument of power and influence led to the extreme proliferation of house agreements negotiated between the shop stewards and the management, often under extreme duress. These negotiations resulted in doubling or even trebling the basic rate so that the take-home pay of the great proportion of employees bore no relation whatever to the basic rates negotiated as a result of collective bargaining.

In 1960 the largest employer in the industry took a policy decision at board level to reverse the theory of vulnerability.

The management decided that every claim by a shop steward would be contested if it meant paying any sum of money in addition to the amounts payable under the collective agreements. Shop stewards immediately tested the strength of the management's intention by interfering with the production of the newspaper in this company on a number of occasions.

However, the quite rapid response of the shop stewards and of higher officials of the unions was to accept that the management had changed their policy. Almost immediately discipline within the printing unions improved; senior officials would give instructions to shop stewards that hostile action was to cease pending discussion - a procedure almost unknown prior to 1960.

It could be said, therefore, that in the British printing industry ineffective management for a long period of time led to the breakdown of discipline within the unions and the rise to enormous power of shop stewards within the plant.

Equally, once the management of the largest employer of printing labour reversed the policy, the trade unions responded by moderating the demands of shop stewards and also strengthening their internal discipline.

(d) Meat Packing in the U. S. A.

The first assembly-line operation in all of North America dating back to before the turn of the century was established in the meat packing industry. In the succeeding half a century or more the industry was slow to modernise. Firms limited their financial investments; plant and equipment became obsolete; plants were no longer properly located geographically; management was slow to realise that time was overtaking them. Improved methods of bringing cattle and hogs to market played an important role in causing plant obsolescence.

The subject of our case study, Armour & Co., brought in new top management in the late 1950s. Programmes and plans for improving efficiency were then developed. In pursuit of this programme, the company closed a series of plants. The unions quickly reacted. The Armour Automation Committee designed to resolve these problems was established on a tripartite basis. The company embarked on closing old multi-storey buildings. New plants were constructed, often in other geographical areas. Joint arrangements through collective bargaining were made to give affected employees a broad spectrum of options, including improved pensions, early retirement, substantial severance pay, transfers to other plants, re-training for employment both within the company and for jobs in manufacturing, trade and service occupations.

The union had not interfered with the technological advances of the company. The company had assumed its full and complete role to manage. The union and the company worked together to resolve the personnel problems resulting from the modernisation scheme of the company. Results of the programme showed that productivity had risen substantially; wage and fringe benefits had been greatly improved, but wage costs per unit of output had declined.

III. THE IMPACT OF GOVERNMENT POLICY

Economic conditions and government policies required the parties to generate the kind of relationships reflected in productivity agreements. An economy dependent on exports had to be cost- and price-conscious and sensitive to its international competitive position. Balance of payments problems became a major concern to the parties in collective bargaining. Full employment and rising income levels increased the demand for domestic as well as imported products. When full employment conditions also produced rising costs, either productivity had to improve to offset rising costs or prices tended to rise.

The circumstances which led to the development of an incomes policy imposed a responsibility on management and labour to conform their

relationships and collective bargaining to the national needs.

IV. CONCLUSIONS

Collective agreements in the United Kingdom and in the United States designed to bring about improved productivity required managements and trade unions to re-examine their internal organisations as well as their existing relationships.

Managements needed to review their basic objectives, purposes and priorities. What were their responsibilities? How could they improve their profits? How could the vision and outlook of top management be broadened? Could the methods of handling problems at the local shop level be made more effective? How could they best work with employees and trade unions to achieve better mutual understanding?

The trade unions needed to ask themselves what could be done to eliminate inter-union rivalry and friction. What could be done to facilitate multi-union bargaining involving general and craft unions? What was the best use that could be made of works councils and consultative committees, and how could they be integrated into these programmes? How could shop stewards and works committees be brought more actively into productivity programmes of the national unions?

The development of new responsibilities and relationships at the work place had to be encouraged. National bargaining and plant bargaining had to be defined and co-ordinated.

From these premises the following suggestions were ventured.

1. Management had to take the initiative to formulate its programme and take action. The unions had to be prepared to respond constructively.
2. There should be a more ready acceptance of outside help. There was a place for third parties to ascertain and publish the facts and assist the parties in creative negotiations.
3. If the initial action of management was reasonable and was carefully justified to the representatives of the union, a favourable reaction was more likely to follow, which in turn would assure a co-operative response from the management in the subsequent steps. This continuing interaction would strengthen both the management and the union.
4. Productivity agreements not only had immediate effects by reducing costs and increasing earnings, but also had wider long-term benefits. They set the tone for future changes. Management organisation and policies were reconstructed. Internal union relationships, between the national and plant levels, were substantially improved. An example was set for others to re-think their customary approach to many problems.

5. Productivity agreements provided the occasion to rationalise the wage structure, to eliminate excessive overtime and other factors contributing to wage drift, and to eliminate uneconomic practices and manning schedules. In the process of such adjustments reasonable assurances should be included for the protection of employees' interests and welfare.
6. Adequate financial resources for new plant or equipment were essential for the success of productivity agreements. Provision should also be made for requisite re-location and re-training of workers.
7. The long-run successful application of productivity agreements required better trained managerial and trade union representatives at all levels from local plant to the very top.
8. The healthy growth of industry and the improvement in the standard of living of the work force, as well as the national interest, required collective bargaining relationships which were less traditional and more responsive to continually changing technologies and competitive conditions at home and abroad. Productivity agreements constituted a significant contribution to these ends.

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The Rt. Hon. Sir Keith Joseph, Bt., MP.	Conservative Member of Parliament for Leeds North-East and until re- cently Shadow Minister of Labour; Minister of State at the Board of Trade (1961-62); Minister of Housing and Local Government and Minister for Welsh Affairs (1962-64); Deputy Chairman, Bovis Holdings Limited.
R. C. Mathias, MBE.	Regional Secretary, Transport and General Workers Union, South Wales Region.
D. McGarvey	President, The Amalgamated Society of Boilermakers, Shipwrights, Black- smiths and Structural Workers.
C. E. H. Morris	Director and General Manager, Iron and Steel Division, The Steel Com- pany of Wales Limited.
Frank J. Rogers	Managing Director, International Publishing Corporation Limited.
A. T. Shadforth	In Charge of Labour Relations, Henry Wiggin & Company Limited.

UNITED STATES

Thomas R. Byrne	Labor Attaché, United States Em- bassy.
John T. Callahan	Chairman, The National General Electrical Conference Board of the International Union of Electrical Workers.
William G. Caples	Vice President, Inland Steel Company, Chicago.
Thomas W. Childs, CBE.	Chairman, International Nickel Limited; Member of Council, The Ditchley Foundation.
Carrol L. Coburn	Research Director, International Union, United Automobile, Aerospace and Agricultural Implement Workers of America.
David L. Cole	Messrs. Cole, Merrill and Berman; Lawyer and Labor Arbitrator.

Virgil B. Day	Vice President, Management Development and Employee Relations Service, General Electric Company.
Malcolm L. Denise	Vice President, Labor Relations, Ford Motor Company.
Professor John T. Dunlop	David A. Wells Professor of Political Economy, Harvard University.
William G. Duvall	Labor Relations Director, Western Electric.
Ben Fischer	Assistant to the President, United Steelworkers of America.
Ralph Helstein	President, United Packinghouse, Food and Allied Workers.
Frederick R. Livingston	Kaye, Scholer, Fierman, Hayes and Handler; Attorneys representing Armour & Co., Food products manufacturer and other Companies.
Stanley H. Ruttenberg	Assistant Secretary and Manpower Administrator, Department of Labor, Washington, D.C.
William E. Simkin	Director, Federal Mediation and Conciliation Service, Washington, D.C.
William A. Ziegler, Jr.	Partner, Sullivan and Cromwell, New York City; Specialist in labour law.

THE DITCHLEY FOUNDATION

Captain R. P. S. Grant, DSC, R. N. (Retired)	Chief Administrative Officer.
Lt.-Col. B. C. Mallinson, MBE.	Bursar.
Irwin M. Herrman	Research/Records Secretary.

BACKGROUND DOCUMENTS

The following papers were made available to
Conference participants :

"Challenges to Collective Bargaining," Report of the Thirtieth American Assembly, 27-30 October 1966.

"Joint Economic Expansion Plan," Alan Wood Steel Company (U. S. A.), 1 July 1965.

"Extracts from Productivity Agreements Made by Armour and Company (U. S. A.)"

"Productivity Studies - Visits to Canada and the U. S. A. May/June 1966. Company Summary Report." Imperial Chemical Industries Limited, 3 October 1966.

"Agreement for Trials of Proposals on Manpower Utilisation and Payment Structure Between Imperial Chemical Industries Limited and the Trades Unions Concerned."

"Time for a Change," (produced jointly by a committee of Imperial Chemical Industries management and officials of the Signatory Trade Unions) 1966.

"Productivity Bargaining," Trades Union Congress, 1966.

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"Theory and Practice in Industrial Relations," by Sir John Masterman, 1965.

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"The Efficient Use of Manpower: A Management Responsibility." Conference Papers, Ministry of Labour (Industrial Relations Department), British Institute of Management and Institute of Personnel Management, 3-5 March 1966.

"How Dangerous is Productivity Bargaining?" By Allan Flanders.

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"Memorandum of Agreement Between The British Oxygen Company Limited and The Transport and General Workers Union, The General and Municipal Workers Union and the Union of Shop Distributive and Allied Workers," 6 June 1966.

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"The Fawley Productivity Agreements: A Case Study of Management and Collective Bargaining," by Allan Flanders. Faber & Faber, 1964.

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