

Rad Meidnerove grupe zasniva se na tri argumenta koje švedski sindikalni pokret smatra fundamentalnim:

— pronalaženje jednog sistema koji će podupirati princip solidarnosti u politici zarada, preko koje se stvaraju »viškovi profita« u kompanijama koje bolje posluju;

— smanjenje koncentracije sredstava, a time i moći, što ide uporedo sa samofinansiranjem u industriji;

— učvršćivanje, preko učestvovanja u vlasništvu, prava koje su zaposleni prvobitno već stekli putem zakonskih reformi.

Grupa je usvojila kao polaznu tačku ideju kolektivne akumulacije kapitala preko fondova zaposlenih i posebno je istakla da ti fondovi moraju biti kolektivni. Odbačen je svaki oblik formiranja fondova koji bi bio vezan za pojedinačne kompanije, pošto bi time bili neminovno favorizovani ljudi koji su zaposleni u kompanijama koje stvaraju veći profit. Kapital ovih fondova bi se stvarao putem transfera kapitala obveznica (akcija) koji bi bio u određenoj srazmeri sa profitom.

Važno principijelno pitanje je, da li će se uticaj zaposlenih u preduzećima realizovati preko doprinosa rada ili na bazi svojine. Zauzeto je stajalište da rad sam po sebi opravdava zahteve sindikata za ekonomskom demokratijom. Iz toga proizlazi da ove fondove zaposlenih ne treba smatrati kao neku alternativu za prava participacije koja su zaposleni već stekli putem reformi u radnom zakonodavstvu (uključujući, konačno, i pravo veta), već više kao način na koji se ista učvršćuju. Prema tome, ovim fondovima treba upravljati na takav način da se time obezbeđuje znatniji uticaj lokalnih sindikata. Kapital treba da ostane kao obrtno sredstvo u preduzeću gde je stvoren.

Na osnovu ovih smernica dat je nacrt sistemske strukture fondova. Akcije zaposlenih koje su u izvesnoj srazmeri sa profitom kompanije pre oporezivanja, ali po odbitku akumulacije, biće uplaćene u jedan centralni egalizacioni fond, na čijem je čelu odbor koga biraju sve sindikalne organizacije koje učestvuju u stvaranju sistema kolektivne akumulacije putem fondova zaposlenih. Sredstva fonda će se koristiti za kupovinu novih akcija koje budu emitovala preduzeća, za unapređenje različitih sindikalnih aktivnosti među članstvom, sindikalnog obrazovanja i obuke, zaštite na radu, istraživačkih, kulturnih i rekreacionih kapaciteta. Odbor fonda neće sam da koristi svoje pravo glasa na što ga ovlašćuje posedovanje akcija. Umesto toga pravo glasa u visini do 20% od emitovanog kapitala svake kompanije koristiće lokalne sindikalne organizacije. Pravo glasa na osnovu posedovanja akcija u vrednosti preko 20% uživaće granski fondovi čije će odbore birati sindikalne organizacije u datoj grani i sindikalne organizacije drugih grana, u jednakoj srazmeri.

Lokalne filijale sindikalnih organizacija imaju pravo da imenuju kandidate za ona mesta u odborima direktora kompanija na koje ih ovlašćuje pravo glasa te grane.

THE BULLOCK REPORT

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I INTRODUCTION

The Report of the Committee of Inquiry on Industrial Democracy (the 'Bullock' Report, January, 1977) is one of the more important documents ever published in Britain in the general area of industrial democracy. The report has two main divisions — a majority report and a minority report. The most important recommendations of the majority report are that procedures be established which readily enable workers in all private companies in Britain that employ 2,000 or more people to choose to select, through trade union machinery, a number of worker representatives equal to the number of shareholder representatives to sit on the existing (single-tier) company board. This contrasts with the minority report, which recommends that procedures be established which make it possible under certain conditions and in private companies that employ 2,000 or more people (though there are many important exceptions) for workers to choose to elect, from an electorate comprising all workers in the company, a number of worker representatives equal to the number of shareholder representatives to sit on a newly-created supervisory board in a two-tier company board structure. Hence, this is far from a consensus document with the cleavage of opinion among the commissioners mirroring the public divisions on the matter, though in some important instances the philosophical differences at large are even sharper than those apparent among the committee.

Publication of the report has been followed by repeated statements that the government intends to introduce early legislation using the main proposals of the majority report as a framework. Yet much public commentary, both immediately preceding as well as following publication, suggests that there has been widespread misunderstanding of what precisely Bullock recommends. For these reasons, the next two sections of the essay are essentially descriptive and narrative. One considers the report both from an historical perspective and also in the immediate social-political context. The other summarizes in comparative fashion the main proposals of the two reports and the dissenting note from the main report. Evaluation begins in the fourth section when some of the more important assumptions underpinning the differing proposals are examined. The extent to which

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and the reasons why (or why not) the assumptions of the terms of reference are shared by the commissioners receive particular attention. Whether or not the commissioners succeed in devising institutionally viable and workable participation packages appropriate to the British context is examined next. The sixth section is concerned with the implications of the proposals. A particularly important task is to examine the possible economic effects of implementation of the differing proposals. In a final section, the main conclusions of the paper are summarized and the prospects for legislation in the area are briefly assessed.

II HISTORICAL PERSPECTIVE, SOCIAL-POLITICAL CONTEXT AND TERMS OF REFERENCE

The importance of the establishment of the Bullock Committee of Inquiry lies in its reflecting the fundamental shift in trade union and Labour Party policy towards workers' participation in management, which was most clearly seen to begin in 1966. Until that time, official union and British labour movement policy in general was firmly wedded to the doctrine of unions as permanent adversaries, a doctrine first refined by the Webbs.¹⁾ That this position was being re-examined became evident in the TUC evidence (TUC, 1966) to the Royal Commission on Trade Unions and Employers Associations, 1965-68. A series of reports and working parties during the period 1966-1974 gave further evidence of the seriousness with which the TUC regarded the issue of worker-representation on boards. These changes were accompanied by similar changes in the policy of the Labour Party so that by 1974 both the Labour Party (see Labour Party, 1974: 12) and the TUC (see TUC, 1974) were committed to the introduction of legislation providing for worker representation on supervisory boards in the private sector and corresponding changes in the public sector.²⁾

But the immediate factor precipitating the establishment of the Bullock Committee was the second reading of Giles Radice's private members' Industrial Democracy Bill in mid-1975. Essentially, the Bill aimed to give legislative effect to the 1974 Report of the TUC. Yet the Bill was not official government policy, but a private members Bill.³⁾ The price paid by the government for Radice agreeing to drop the Bill was the exacting of a promise to establish a Committee of Inquiry.

In August 1975, it was announced that a Committee of Inquiry was to be set up to consider ways of extending industrial democracy in the private sector; the committee was given the following terms of reference:

¹⁾ Dahl (1947) provides a good review of the traditional attitude; see also the appropriate readings in Coates and Topham (1968). The major exceptions to the dominant viewpoint have occurred in nationalized industries where there has always been much support for workers' participation in management (see Coates and Topham, 1968).

²⁾ Formal recognition of agreement between these main wings of the British Labour movement on this matter is shown by the demand for an Industrial Democracy Act being included as a major feature of the Social Contract (see *TUC Report 1973*: 106-7).

³⁾ It is generally believed that this progressed so far only because of an oversight by the Parliamentary whips (see Radice, 1977:7).

»Accepting the need for a radical extension of industrial democracy in the control of companies by means of representation on boards of directors and accepting the essential role of trade union organizations in this process, to consider how such an extension can best be achieved, taking into account in particular the proposals of the Trade Union Congress report on industrial democracy as well as experience in Britain, the EEC and other countries.

Having regard to the interests of the national economy, employees, investors and consumers, to analyze the implications of such representation for the efficient management of companies and for company law.«

The membership of the committee under the chairmanship of Bullock was announced on December 3, 1975. It comprised three chairmen of major corporations (Biggs, Callard and Heath), three trade union officials (Jenkins, Jones and Lea), four independent members, three of whom were academics (Bain, Bullock and Wedderburn) and a solicitor (Wilson).⁴⁾ The committee was asked to report within a year. As is the custom with British inquiries of this nature, the commissioners immediately invited all interested parties and organizations to submit written evidence.⁵⁾ Additional information was gathered through three other formal channels. First, selected oral evidence was heard.⁶⁾ Second, in connection with the stated need to take account of the European experience, the commissioners made brief fact-finding visits to West Germany and Sweden. Finally, two research reports were requested.⁷⁾ Their job was to review the published information on European industrial democracy and to pay particular attention to the experience of worker representation on boards of directors. The commissioners were able to meet this deadline with the two reports and the note of dissent being signed on December 14, 1976 and publication followed in late January, 1977.

III THE MAIN PROPOSALS

The main elements of the Bullock Report are a majority report (signed by the three academics, the three union officials and, subject to a note of dissent, the solicitor Wilson) and a minority report which was signed by the three remaining members, the corporation chairmen. Though these elements constitute separate packages, it is instructive to proceed by

⁴⁾ John Methven was also appointed a member while Director-General of Fair Trading. However, he resigned from the Committee on 15 July 1976 to become Director-General of the Confederation of British Industry (CBI).

⁵⁾ In all, 337 submissions were received. Many of these are reported and reviewed in editions of *Industrial Relations Review and Report* during 1976. A good account of much of the early evidence is provided by Industrial Participation Association (1976). One attempt to draw deductions from the written evidence is made in Appendix A of the minority report.

⁶⁾ Eight sessions of oral evidence were heard. The influence of all of these hearings, particularly on the majority report, is readily apparent. Oral evidence was given by the British Institute of Management; Commission of European Communities; Confederation of British Industry; Labour Attache to the West German Embassy; representatives of British financial institutions (Faulkner, Fraser and Moody); National Consumer Council; Labour Attache to Swedish Embassy; and Trades Union Congress.

⁷⁾ These reports by Batstone and Davies (1976) provide very readable and solid reviews and analysis of the published literature on industrial democracy in Europe, with particular reference to worker representation on boards.

presenting the components of these differing packages in a comparative manner. Eleven headings are used to highlight these differences and similarities. In general, at this stage the reasoning underlying particular proposals is not discussed.

(1) Scope

The majority recommends that their proposals apply to all companies which employ 2,000* or more employees in the United Kingdom. It is estimated that though there are about 750 enterprises in Britain which fall into this 'large' category, many of these are holding companies so that, in all, about 1,800 companies would be affected. No companies would be exempt from the recommendations — the proposals apply equally to U.K.-based multinationals, foreign-owned subsidiaries in the U.K., and allegedly special cases such as companies in the financial sector.

The minority recommends that their proposals apply to all companies which employ 2,000 or more employees in the U.K., but strongly recommend against subjecting U.K. subsidiaries of foreign-based companies and companies in the financial sector, such as clearing banks, to the proposed legislation. They also exclude subsidiaries of companies incorporated in the U.K. From Table 1 of the majority report it seems that these recommendations would cover about 578 enterprises; the same number of companies would be affected.

(2) Structure and Nature of the Board on which Worker Representation is Proposed

The majority recommend that existing unitary boards be reconstituted according to a '2X + Y' formula, where X equals the number of worker and shareholder representatives and Y equals the number of directors to be co-opted by worker and shareholder representatives. The third independent group must consist of an uneven number of people greater than one and constitute less than one-third of the total board. Once it has been determined that workers favour the introduction of worker representatives to boards through trade union machinery, the first question to be decided will be the total size of the board or, equivalently, the size of X and Y. The majority recommends that the onus should be on the existing board of directors and the authorized representatives of the recognized trade unions in the company to discuss such arrangements. But since Y must be at least 3 and also less than one-third of the total board size, it is clear that the new minimum board size is 11 (when X = 4). In the event of both sides not agreeing on these matters within a specified time period, then either side should be able to invoke statutory fall-back provisions about board size. By this board size (B) would be related to number of employees

* The majority recognizes that a number of its proposals — such as whether or not a company employs 2,000 — might lead to disputes, sometimes between unions and management, in other cases among unions. To provide conciliatory services in this general area and in some instances to make binding decisions, the majority proposes the establishment of an Industrial Democracy Commission. Its proposed tasks are examined under part (3) of this section.

(L) such that: $2,000 \leq L \leq 9,999$ $B = 11$ (where $Y = 3$ and $X = 4$); $10,000 \leq L \leq 24,999$ $B = 13$ (where $Y = 3$ and $X = 5$); $B \geq 25,000$ $B = 19$ (where $Y = 5$ and $X = 7$).

In a note of dissent to the majority report, Wilson recommends that worker representatives be added to the existing unitary board but shareholders should be able to appoint a majority of the members of the board. He does not recommend introducing a third group of independent directors and is particularly opposed to the inclusion of such an element on the board of large subsidiaries. There are no constraints or fallback provisions concerning board size.

Given the fulfillment of certain prerequisites, the minority recommend that supervisory boards be constituted and consist of three equal parts representing, employees, shareholders and an independent group. It is recommended that the board should not be less than nine members strong.

(3) Procedure for Introducing or Reconstituting the Board on which Worker Representation is Proposed

The majority recommends that workers have the right to choose to select worker representatives to the board; they strongly recommend against the mandatory introduction of worker representatives to boards. Essentially, there are two stages in this choice procedure — a secret ballot which is preceded by a request for a ballot. The institution of the process for securing board level representation by employees lies with trade unions which are recognized by the company. A union or group of unions which are recognized for 20 per cent or more of the company's workforce could trigger the board representation process by notifying management that they wished a ballot to be held in the company on the question of board representation. The purpose of the secret ballot would be to ascertain whether or not the employees of the company wished to be represented at board level through trade union machinery. The ballot would cover all employees of the company (including those on short-time or laid off), be organized jointly by trade unions and management and be financed by management and held on company time and on company property. Workers will be adjudged to have decided in favour of the principle of board level representation through trade union channels if two conditions are satisfied: a simple majority of those voting must be in favour and also this affirmative vote must include at least one-third of eligible employees. If either of these conditions were not satisfied, the company would not be obliged to admit worker representatives to boards and another ballot could not be held for two years.

The right of recognized unions to demand a ballot would apply independently to each subsidiary of the company as well as to the holding company in a group. A union or group of unions which are recognized by any company or companies in the group and which are recognized for at least 20 per cent of the group workforce would have the right to demand a group ballot. In a group ballot, trade unions recognized on behalf of

20 per cent of the employees of a subsidiary company itself employing 2,000 or more workers would have the right to ask for a separate count of the votes cast by the employees of that subsidiary company. Those votes could then be used to test whether there was a majority in favour of employee representation on the board of that subsidiary as well as being included in the group total.

The minority recommends a three-stage procedure before employees could be introduced to supervisory boards. First, an employee or company council (see section III (7)), supported by effective sub-structures, must have been in operation for at least three years. Second, the institution of the next stage in the process of securing representation of employees on supervisory boards lies with either recognized trade unions or the employee council. Either a two-thirds majority of the employee council or all independent trade unions can request a secret ballot. Finally, if such a ballot is requested, then all employees of the company who had completed one year's service would be eligible to vote and workers will be adjudged to have decided in favour of the principle of worker representation on supervisory boards if a simple majority of eligible employees votes affirmatively.

(4) Worker Representatives on the Board: Method of Selection, Qualifications, Terms of Office and Facilities

The majority recommends that no set procedure be specified for the selection of worker representatives for the reconstituted board; instead, the onus for devising a satisfactory method of selecting worker representatives would be placed on the shop stewards and other lay representatives of recognized trade unions in each company. Following a successful ballot, these shop-floor union representatives would be required to establish a Joint Representation Committee (JRC). An immediate task of the JRC would be to decide the method by which worker representatives to the reconstituted board would be selected. No special provision would be made for ensuring representation of non-union members as part of the group of employee representatives nor would any seats on the board be reserved for management or other groups. A certificate of appointment would have to be signed by all unions making up the JRC before the board could be formally reconstituted.

In addition to being elected through trade union machinery, the majority recommends that employee representatives on the board would have to be employees of the company.⁹⁾ No other conditions of eligibility are suggested; in a system based on trade union machinery, they believe the spelling out of any qualifications is best left to the trade unions themselves.

The majority recommends that the terms of office of all directors including those representing employees should be three years, that one-third

⁹⁾ The majority does not exclude altogether the possibility that a full-time official from outside the company might be chosen to represent employees on the board. Special circumstances might warrant this, such as where labour turnover is very high, where employment is thinly spread over numerous establishments or where employees spend much of the time outside of the U. K.

retire each year and that their appointments be renewable. Worker representatives on the board could be removed from office only if the accredited representatives of *all* the unions which had signed the certificate of appointment demanded that person's dismissal. Worker representatives should not receive a special fee but neither should they suffer financial loss for performing directorial duties. Their expenses must be covered and they must be reimbursed for any loss of earnings with performance of board business outside normal working hours being rewarded at the appropriate overtime rates. In order to be effective representatives and effective directors, the majority recommends that employee representatives be given a range of rights beyond those directly associated with attending board meetings:

»In addition to receiving board papers, employee representatives will need to maintain contact with their constituents, to keep in close touch with the JRC and to discuss issues informally with other directors, senior managers, and perhaps outside experts. Accordingly, they will need, with due notice to their immediate supervisors, to be able to take time off as of right. They will also require access to an office and a telephone, secretarial assistance of a confidential nature, and perhaps other facilities.« (p. 123).

The minority does not recommend that a completely specified procedure be introduced for the election of worker representatives, but compared with the majority it recommends much more exacting and constraining conditions covering vital aspects of this process, a process which, it is proposed, will not operate through a single union channel. They recommend that employee representatives elected to the supervisory board must include at least one member from the following three major job-categories: the shop-floor, salaried staff employees and management. To be eligible as candidates, employees must: have worked for the company for a minimum of ten years; have been a member of a sub-board council/committee for less than three years, and have undergone adequate and appropriate training to enable him or her to participate effectively in supervisory board discussions. To be valid, elections must be secret, not less than three candidates should be proposed for each office and not less than 60 per cent of the electorate turn out. Candidates for election must be nominated either by ten employees or by an independent recognized trade union. Worker representatives could be removed during their term of office (which would be defined in the company's articles of association) by a successful call for a new ballot by 60 per cent of the electorate.

(5) Non-Worker Representatives on the Board: Transitional Problems and Method of Selection

The majority expects that often it would not be possible for all current directors elected by shareholders to retain their seats as shareholder representatives on the reconstituted boards without making the size of the board unwieldy. It also recognizes that for various reasons the existing

board is likely to be reluctant to see any of the present directors lose their seats. To alleviate this problem, it recommends that following the board's reconstitution any existing board members not appointed as shareholder representatives should retain their seats as members of the Y element, until the next annual general meeting of shareholders when all members of the old board will retire and some or all of them will present themselves for re-election.⁹⁾

After the worker and shareholder representatives on the board have been selected, they are then required to agree on who is to be co-opted to the third part of the board. No restrictions as to eligibility for co-option are laid down. But they must be agreed upon by a majority of each of the other two parts. Co-opted directors will be full members of the board. Their fees and tenure of office should be fixed by the worker and shareholder representatives when the appointments to the third group are made, though the majority expects that the normal tenure of office would be three years, with one-third retiring each year.

The minority does not propose any restrictions concerning eligibility of the independent group of directors. But they should be elected by an affirmative vote of at least two-thirds of the worker representatives and the shareholder representatives considered together. In the event of a continuing failure of the requisite number of candidates to achieve a two-thirds vote, the matter should be referred to a general meeting of shareholders who would have residual power to appoint independent members.

(6) Directors' Powers in Relation to Shareholders and Senior Management and Directors' Duties

The majority recommends a series of changes in company law designed to ensure that final responsibility for specified key decisions is vested with the board, unable to be overruled by shareholders or bypassed by management. In addition to the fundamental recommendation that shareholders would no longer have the right to appoint all board members, the board would be given a list of «attributed functions.» In the following five areas, the shareholders meeting would no longer have any right to initiate action. Instead, the right to submit a resolution for consideration at the shareholders' meeting would rest with the board and the shareholders' meeting could either approve or disapprove such resolutions:

- (a) winding up of the company;
- (b) changes in the memorandum and articles of association;
- (c) recommendations to shareholders on the payment of dividends;
- (d) changes in the capital structure of a company (this might arise by an increase or decrease in the authorized share capital or by the issue of securities in connection with a take-over or merger);
- (e) disposal of a substantial part of the undertaking.

⁹⁾ The majority also considers the case of an executive director with a service contract who is removed from the board before the term of his contract expires and the question of whether the company is liable for breach of contract. They recommend that in that event in certain carefully defined circumstances the right to damages should continue but that right to damages should be limited to an amount equivalent to his aggregate remuneration for two years.

In the following two areas, the board would be unable to delegate responsibility to senior management; exclusive responsibility to take final decisions would rest with the board (of course the board could delegate authority to act in some of these matters to board committees or management):

- (i) the allocation or disposition of resources (to the extent not covered by (c) to (e) above);
- (ii) the appointment, removal, control and remuneration of management.

The majority believes it is important that there should be a clear statement of the basic duties of directors in statute law. Several changes in this area are proposed. It recommends that all directors should have the same legal duties and liabilities. Most importantly, it proposes that all directors, in pursuing the best interests of the company, should be required to take into account the interests of the company's employees as well as its shareholders. The majority recommends that the provisions of the Companies Act requiring directors to disclose their interests in contracts made by their companies and companies' articles of association which preclude directors from voting on matters in which they have a personal interest should be changed so as not to preclude worker representatives from taking part in board decisions concerned with collective bargaining and industrial relations.¹⁰⁾ It is also recommended that the board be required to continue to present a directors' report and audited annual accounts to the annual general meeting of shareholders but also to send this report to employees in the company. Documents which are available for inspection by shareholders should be made available to workers in the company. But the majority sees no need for major changes in the fiduciary duty of directors or in the important area relating to commercial confidentiality. The majority does not see the need to make any special provisions to cover international companies regarding worker representatives voting on the desirability of overseas investment.

The majority views as unsatisfactory situations where U.K.-based companies have an overseas labour force which is not represented on company boards. But no obvious remedy is seen and it believes that a reconstituted board would take more interest in overseas employees than existing boards.

The minority foresees supervisory boards not becoming involved with detailed decision-making of existing boards, or with determining major policy. It should be primarily concerned with the quality of management and management's capacity to run the company profitably and competitively with due regard to the appropriate interests involved. Accordingly, it is proposed that the supervisory board should not be empowered to initiate policies but rather to overview already-formulated policies in various areas.

¹⁰⁾ If, however, a worker representative believed he was mandated by his union to vote on a matter before the board in a particular way, then as with current principles of company law he would be obliged to declare this commitment to the board and abstain from voting on the issue.

The minority believes that »The effect of this proposal would be to leave the existing structure, organization, and purpose of Boards of Directors in the U.K. substantially unchanged, but it would introduce a new and ... important element of accountability« (p. 179). The minority also proposes that the Companies Act be amended so that directors of boards in companies employing fewer than 2,000 employees and of management boards in larger companies be required to manage the company's affairs with due regard to the interests of shareholders, employees and other interested parties. The minority agrees with the majority that worker representatives cannot be mandated by unions on matters concerning industrial relations and collective bargaining. But the minority does think that practical problems will arise concerning companies based in the U.K. with substantial overseas interests. It proposes that:

»Employee-elected representatives on the Supervisory Boards of Companies having expressed their views and declared their interests, should not be entitled to a vote in cases of disagreement over a major investment project outside the UK or matters which are wholly the concern of a subsidiary company overseas.« (p. 184).

(7) Relationship of the Board on which Worker Representation is Proposed to Machinery Providing for Workers' Participation in Management at Other Levels in the Company

The majority envisages the JRC playing a vital role in the new state of things following the reconstitution of the board; the JRC would need to provide the continuing support for board representation and its interface with collective bargaining. The JRC would be the fulcrum in the system of reporting back. Employee representatives would be expected to report regularly to it. Members of the JRC would then have the task of reporting back to other parts of the trade union structure. The majority foresees no insuperable problems in constituting JRCs. They believe that adapting vital element in participation substructure will often emerge by adapting existing institutions, usually shop steward combine committees. In other cases, it is envisaged that an affirmative vote in the secret ballot on the principle of worker representation of boards will have a dramatic catalytic effect and lead to the establishment of a JRC. Since employee representation on boards would be based on trade union machinery, the majority sees little likelihood of conflict arising between collective bargaining and board level representation. Indeed the establishment of JRCs is seen not only as being compatible with collective bargaining, but also by filling in any gap which might exist in trade union machinery at company level (and thus permitting more co-ordinated union strategies to be formulated) is likely to strengthen the collective bargaining process. Worker representatives (except when mandated, as discussed under the previous heading) should be free to discuss and vote on matters concerning collective bargaining, strikes and lockouts. The majority expects that worker representatives are unlikely to demand that management reveal the details of their bargaining

position and that if they did make such a demand they are unlikely to be supported by other members of the board.

Central to the minority's proposals is that all large companies be required to conclude an internally agreed form of domestic participation arrangement below the level of the board within four years of the legislation being enacted. Furthermore, the employer or company concerned must be in existence for at least three years before the question of worker representation on supervisory boards can be considered. Certain conditions are viewed as vital for the effectiveness of this participation substructure:

- (a) all employees must take part in a ballot to approve the arrangements;
- (b) all trade unions involved must be signatories and agree to participate;
- (c) the structure involved must make provision for representation of all levels and every category of employee, whether belonging to a Trade Union or not;
- (d) there must be agreement that the purpose of the arrangement is to further the success of the enterprise, and hence the well-being of all involved in it, by constructive co-operation;
- (e) no such arrangement should conflict with existing collective bargaining procedures;
- (f) there must be a right of appeal to some form of arbitration if any party fails to co-operate, e.g. by withholding information or acting unilaterally in a way contrary to the general good of the company (p. 175).

If and when worker representatives are elected to supervisory boards, the employee council would constitute the lynchpin of the machinery for 'reporting back' to constituents.

(8) Role of Government Agencies

The majority recommends (the establishment of an Industrial Democracy Commission (IDC) which would perform several important functions. Many of these would take place at various points during the process of introducing worker representatives on reconstituted boards. The IDC would rule in disputes as to whether or not a company has 2,000 employees. Disputes which might arise over whether or not a trade union is recognized for a particular percentage of a company's workforce would also be referred to the IDC.¹¹⁾ Concerning the ballot stage, the IDC would devise a standard ballot form and accompanying literature. In some cases, it might provide independent supervision of the ballot and perhaps be asked to interpret the results of a ballot. Following an affirmative ballot, disagreement may arise either between management and trade unions or between a num-

¹¹⁾ In such cases, the majority proposes that the IDC should seek the advice of the Advisory Conciliation and Arbitration Service (ACAS). ACAS might then undertake an investigation and report to the IDC, which would have the power to issue a certificate as to the percentage of employees for which the union or unions concerned were recognized.

ber of trade unions on matters such as the size of the board, the representativeness of the JRC and the appointment of co-opted directors. On all of these, the IDC may be called on to provide conciliation. In some cases, should deadlock persist, the IDC has stronger powers. As a last resort, except in the case of subsidiaries, the IDC should be able to appoint members to the third (and normally co-opted) group on the board. With regard to multinationals, when the representatives in the UK could not agree on the appointment of the co-opted directors on a top UK subsidiary board, or where the overseas parent requested the right to appoint the third group in order to control the subsidiary board, in the last resort the majority proposes that the IDC should be able, after consultation with the parties concerned and the government, to make a binding decision. In special circumstances (such as where labour turnover is very high or workers spend much time outside of the UK), the Secretary of State may consult the IDC issue an order allowing a full-time union official to act as worker representative. The IDC will be charged with devising a standard certificate of appointment — a form that must be signed by all members of the JRC in order for the election of worker representatives to constitute a 'legal event.'

Other parts of the IDCs' work concern the formulation of codes of practice concerning the covering of certain aspects of worker representation on boards. These include: the conduct of ballots; the provision of facilities for worker representatives and members of JRCs; methods of selection of worker representatives; and the way in which a holding company might devise a policy of participation for a group of companies. The IDC will have to provide information and advice, on, and also be required to monitor and evaluate, the operation of the proposed legislation. In particular, it should be required to produce a far-reaching progress report on the legislation after the first three years of operation. It is recommended that the IDC be controlled by a tripartite body comprising representatives of employers, trade unions and the government.

The minority does not propose the establishment of a new government agency to deal with matters emerging from its proposed legislation. By implication, it is thought that any disputes arising in this connection (such as over the form of the proposed employee council, either among unions or between unions and management) can be readily accommodated within the resources of existing government agencies, such as the Advisory, Conciliation and Arbitration Service (ACAS).

(9) Issues Concerning Groups, Multinationals and International Companies

Various issues arise from the application of the majority's proposals company groups and multinationals. The following are five of the more important ones. First, in the case of subsidiaries and on the basis of the procedures outlined in sections III (2) — (5), the introduction of worker representatives on the reconstituted board would remove the holding company's power of complete control over the appointment of all directors to the board of that subsidiary. The majority sees this as leading to a tran-

sfer of power from the holding company to the subsidiary which might prevent the operation of group policy and threaten the continued existence of a group of companies as a viable economic unit. This leads the majority to recommend that when the worker representatives and the holding company's shareholder representatives cannot reach agreement on the co-option of some or all of those directors to the board of a large subsidiary, in the interests of group viability, in the last resort the holding company (and not the IDC) should have the power to appoint them. But since such appointments would be made by the board of the holding company (which, if it had been reconstituted, would include employee representatives of the group), this modification of the majority's basic proposals concerning proportions of directors is not as severe as initially appears. Second, the majority recommends changes in the legal definition of 'holding' and 'subsidiary' company. The proposals are made primarily to prevent takeovers by the mere purchase of shares, whereby a previously independent company becomes a subsidiary of another. In future, a subsidiary company would be defined »... as one in which another company either (i) was a shareholder in and controlled the composition of its board of directors or (ii) held more than half in nominal value of its equity share capital, and which, in either case, executed and registered an instrument of acknowledgement of control' by that other company.« (p. 140). This measure is designed to protect effective worker representation in take-over cases. No takeover would be complete without the signing of this 'instrument of control' and it is envisaged that a majority of the board of the prospective subsidiary would not sign this instrument until agreement had been reached with the board of the holding company. The three remaining recommendations concern foreign-based multinationals. Many of these enterprises operating in the UK are not incorporated under UK law. If a ballot of the UK employees affirms the desire for worker representation on boards, the majority recommends that the enterprise be required either to incorporate in the UK or be organized on some other mutually-agreed basis. The two other proposals distinguish between an immediate UK subsidiary of a foreign based multinational and UK sub-subsidiary in the group. With regard to the immediate UK subsidiary, in the event of the worker and shareholder prospective directors not agreeing upon the third group of directors to be co-opted, it is proposed that the ultimate power to appoint this element should rest with the IDC, who would be obliged to ascertain the wishes of the foreign parent and to consult the UK Secretary of State for Industry before making a decision. For sub-subsidiaries of foreign-based multinationals, the majority proposes that the board of the top UK company rather than the foreign parent would have the right to appoint the Y directors in the event of an impasse.

In the note of dissent, Wilson's proposals, that the shareholders should be able to appoint a majority of the members of the board and that there should be no Y element, mean that nearly all of the problems which are raised by application of the majority 2X + Y formula to groups no longer exist. Shareholders would be able to appoint a majority of the board on every company in the group and the need for intervention by a third party would never arise.

Similarly, the scope of the minority's recommendations — recall that it is proposed that subsidiaries incorporated in and outside of the UK should not be subject to the legislation — means that the kind of problems arising from the application of the basic proposals of the majority do not need to be considered by the minority.

(10) Training

The majority attach great stock to the need to establish training programmes to equip both employee and shareholder representatives (and perhaps co-opted directors) with the skills necessary to effectively discharge their new duties and to co-operate with each other at board level in the formulation of policy and the supervision of management. Concerning worker representatives on the board, the majority foresees an initial training need for between, 6,000 and 11,000 such representatives, though the permanent training need is expected to be below the initial figure. Training programmes which cater for trade union representatives on the JRC will also have to be devised. The purpose of formal training for employee representatives on the board is to provide them with the necessary ability to take part in the more technical aspects of the board's work. The aim is not to turn worker representatives into experts in any of these areas but to provide them with sufficient understanding to grasp and question proposals put to them by professional management. The training courses will also aim to explore the nature of the role, function and responsibilities of worker representatives in relation to the company and the workforce as a whole. Residential training courses should last from two to six weeks. Total explicit costs are estimated in excess of £3 million. The majority recommends that the government should bear the lion's share of the direct cost of initial training, though by paying time off for worker representatives to attend these courses industry will probably be bearing costs of roughly similar magnitude. The majority proposes that responsibility for the content of courses, in accordance with present practice, should lie with a variety of institutions, though chiefly with the TUC and individual unions.

The minority proposes that one condition for eligibility for candidacy to the supervisory board is that candidates should have undergone adequate and appropriate training to enable him or her to participate effectively in the supervisory board discussions. But there is no further discussion as to how this might be accomplished.

(11) Timescale

The majorities expect that on average it will be between three and four years from the legislation taking effect to the date on which a new board is fully reconstituted. They believe this is a sufficient period to ensure an orderly transition from the present to the new system and accordingly recommend against any special statutory transition period before the new system becomes operative. After the in-depth evaluation of the first three years of the legislation becomes available, the government should

be able to expand the scope of the legislation to include companies employing 1,000 or more people in the UK, thereby extending coverage to some 500 additional companies employing about 750,000 employees.

The minority does not explicitly consider this matter. But they do propose that: (a) all companies (which fall within the scope of recommendation) should «... conclude an internally agreed form of domestic participation arrangement below the level of the board within four years of the legislation being enacted» (p. 186); (b) one prerequisite for the introduction of worker representatives on supervisory boards is that an employee council should have been in operation for at least three years. Consequently, because of the minority's proposed legislation, company board structures would not change in less than three years and because of matters such as eligibility for candidacy as a worker representative on the supervisory board, in part depending on time and difficulties in forming employee councils, it is quite possible that company board structures would not change in less than seven years.

IV PHILOSOPHIES, ASSUMPTIONS AND METHODOLOGY

Before evaluating the reports, the differing philosophies and assumptions that underpin them as well as the basic methodologies employed, can usefully be examined. While there is no systematic discussion of philosophy in either of the reports, some idea of the philosophical contrasts can be gained by examining the differing attitudes towards the assumptions of the committee's remit. There are three explicit assumptions in the committee's terms of reference: (a) the alleged need for a *radical* extension of industrial democracy; (b) the alleged need to achieve this via worker representation on boards; (c) the alleged essential role of trade unions in this process. Also, in considering how such an extension can best be achieved, the committee was required to take particular account of the TUC proposals as well as to consider experience in Britain, the E.E.C. and other countries. Finally, the way in which differing philosophies and assumptions are combined with inferences drawn both from the experiences with industrial democracy of various countries and also more general observations, together with essentially *a priori* deductions, is also deserving of attention.

A. Majority Report

The majority clearly accepts all three assumptions contained in the remit. Its report shows that consideration was given both to much relevant experience and also broad socio-economic trends, and that there was also some recourse to *a priori* deductive reasoning. It devotes almost a third of the report (chapters 2—6) to providing not only a defence of the particular assumptions of the remit but also a comprehensive, logical, empirical and historical foundation for its proposals. In view of the majority's endorsement of the assumptions contained in the remit, such a detailed account is not a necessary component of the report. Clearly, therefore, the majority

attaches great importance to the need to provide a *detailed* rationale for its proposals and, accordingly, a review of the main arguments is worthwhile.

Reasons for thinking that a *radical* extension of industrial democracy is necessary are considered mainly in the chapters on »The size and shape of the private sector« and »The pressures for change.« It is possible to distinguish four sets of reasons used by the majority in support of this assumption: (i) the democratic imperative; (ii) the need to improve industrial relations; (iii) the need to improve economic efficiency, and (iv) because the traditional collective bargaining model is seen as inadequate to handle a certain range of issues increasingly of interest to workers, ways of exercising influence supplementary to collective bargaining must be devised. Typically, a mixture of induction and deduction is used in connection with these reasons, as well as extensive reference to various ongoing socio-economic changes.

Of large importance are those factors giving rise to what the E.E.C. (1975:4) calls the »democratic imperative.« Increases in the concentration of economic power are documented and seen as giving rise to demands from employees who are remote from strategic decision-making, for these large companies to become more socially responsible. The quickening pace of technological change and sudden and major fluctuations in the economic climate is believed to require rapid responses by companies. But the need to obtain the consent of the governed stands out even sharper and the »... failure to involve the employees in such changes from the outset are liable to prove much more damaging than any delays and inconveniences caused by the participation of employees in the decision-making process.« (p. 21). These economic changes are believed to interact with social changes, particularly the de-emphasizing of authoritarian teaching methods. The ending of the deferential society and the ushering in of the age of democracy are believed to require democracy at the workplace as in all other important spheres of life. Moreover, the majority argues that recent trade union and legislative developments indicate that British workers are keenly interested in extending workplace industrial democracy. In this connection, recent legislation such as the Health and Safety at Work Act (1974), the increasing involvement of the TUC in national economic affairs and the strengthening of the TUC's resolve regarding the need for worker representation on boards during the last dozen years, are cited as reflecting leadership commitment to the proposition. More importantly, it is argued that the growth of shop-steward and equivalent union representation systems and the widening scope of collective bargaining each constitute evidence of shop floor pressures for greater industrial democracy. Finally, recent developments in Europe, such as the 1976 Swedish legislation which provides for employee representation on boards, are seen as part of a general movement to involve employees in decision-making.

That a radical extension of industrial democracy would lead to marked improvements in industrial relations is essentially based on a *a priori* argument. The most important single strand in the majority's thinking is the belief that the introduction of worker representatives on the board on a parity basis will produce a joint framework for decision-making which in turn will lead to »... a new legitimacy for the exercise of the manage-

ment function« (p. 95). Increasingly 'open government' (p. 88) and some de-mystification of the role and functions of boards would also play a part. Again, relevant European experience is referenced in support of the assumption and general trends which allegedly buttress the argument are also cited.

Economic efficiency is expected to improve in large part because these improvements in industrial relations would entail the disappearance of much destructive conflict with the power of organized labour instead being harnessed in a positive manner. Additional economic arguments include: (i) the new arrangements would lead to the workforce releasing latent energies and so assist in raising the level of productivity and efficiency (p. 160); though decision-making may be slowed up by the existence of worker representatives on boards, (ii) reconstituted boards would make better decisions and (iii) policies jointly determined would be implemented more quickly than decisions made under the current arrangements (pp. 48 — 50). Once more, relevant European experience is noted, though as often as not the main purpose of this testimony is to assuage those who see economic catastrophe befalling companies with boards reconstituted on the majority basis.

By implication, it thus appears that the majority accepts the case for a radical extension of industrial democracy as proven by the net impact of this admixture of interacting socio-economic forces, *a priori* reasoning and lessons drawn mainly from the European experience. The majority saw itself essentially as passive social engineers whose task was to provide a practical recipe for an idea for which the pressures for change were manifestly visible. Furthermore, the prospects of major benefits attends introduction and far outweighs minimal risks. This is not to suggest, however, that theirs was a solely pragmatic job entirely free from normative considerations. The tone of the majority report (and consideration of the 'democratic imperative') makes it clear that the majority considers a radical approach to industrial democracy to be an attractive idea. The concept is approved because it is believed implementation would be accompanied by desirable political effects. The majority undoubtedly sympathizes with the TUC policy statement that: »The whole concept of a greater degree of industrial democracy is the achievement of work people collectively of a greater control of their situation« (TUC, 1974). Redistribution of power from senior management to organized labour is probably similarly attractive to all. Yet it is not clear that all of the majority agree with the following extract from the chairman's personal statement after publication that:

»The Report starts from the assumption of a mixed economy and it is my belief that nothing will do as much to guarantee the continuation and increased efficiency of such a mixed economy as change along the lines we have proposed.«

Indeed, far from conceiving the majority report as a means of providing a cure for and ensuring stability in a mixed capitalist economy that should be saved, it is quite conceivable that some of the majority instead see their proposals as merely the first step on the desirable and irreversible path to the eventual death of a mixed economy, and its replacement by

something else such as a wholly worker-managed and national-owned economy.

On closer examination, however, not all of the separate arguments used by the majority are persuasive of the need for radical industrial democracy. Re-examination of reasoning used in connection with the 'democratic imperative' and 'worker directors are needed as a means of exercising worker influence supplementary to collective bargaining' arguments, illustrates this point. While most trade unions are officially in favour of a radical extension of industrial democracy by worker representation on boards, there are important exceptions such as the A.E.U.W., the E.E.P.T.U. and perhaps the G.M.W.U. The evidence presented as constituting shop floor support for the growth of industrial democracy is persuasive if industrial democracy is interpreted in the broad sense of »the growing need for greater employee involvement in company decision-making« (p. 20). But this is not equivalent to assuming that this translates into a need for a further and radical extension of industrial democracy and that this is best achieved via the introduction of worker directors. Thus, the postwar expansion in the scope of collective bargaining can be simply interpreted as evidence of expanding frontiers of traditional collective bargaining. But the majority argues that in many cases the point has now been reached where further increase in the scope and extent of worker influence on decision-making can best be achieved by simultaneously expanding the frontiers of collective bargaining and by introducing worker directors. Once a critical level of influence has been achieved over that set of issues traditionally the province of collective bargaining, then it is believed that the fastest, surest and most effective way of exerting influence over traditionally collective bargaining matters is by worker directors being introduced as an auxiliary technique. But it might be argued that even pace-setting unions still have a long way to go before bringing all issues potentially subject to collective bargaining under the joint regulation umbrella — only when this point was reached would unions who were interested in expanding their zone of influence necessarily need to consider board level representation. Similarly, the development of 'new unionism' — the growth of shop steward combine committees and joint shop stewards committees — does reflect a growing desire for employee involvement in company decision-making. But with notable exceptions (such as the Lucas Aerospace Combine Shop Steward Committee and Vickers North East Shop Stewards Combine Committee), these new institutions have largely been concerned with workplace bargaining and, though sometimes interested in achieving a greater measure of influence on company strategy, are seldom obviously anxious to participate at the board level.¹³⁾ Further, the impression might

¹³⁾ The ideas of the Lucas Aerospace Combine Shop Stewards Committee are discussed in *Industrial Relations Review and Report*, no. 124, March 1976; they oppose the introduction of worker directors. The equivalent body at Vickers, though, favours the idea (see Vickers N. E. Combine Committee, 1975). Most popular opinion before and following the publication of Bullock believes that British shop floor workers in general are either apathetic or anti-pathetic towards schemes for worker directors and that they most prefer increases in control at the shop floor level. Often such opinions are either based on or find support in surveys, such as those by Ramsay (1976) and Parnham and Pimlott (1977). Yet many of these surveys, particularly those reported in the national press, are of poor quality suffering particularly from poorly worded questions. Even the better surveys do not necessarily have anything reliable to say about attitudes towards the particular proposals of the Bullock majority and even if they did such findings are potentially highly sensitive to the ongoing debate on Bullock.

be gained that the majority proposes nothing more than a catching-up with the rest of Europe whereas in fact the majority proposals are more extensive and more radical than nearly all existing Western European Schemes.¹⁴⁾ Also, there continue to be notable exceptions to the alleged »general movement to involve employees more effectively in decision-making« (p. 24) with little progress in that direction especially noticeable in France and Italy.

Moreover, even if all of the majority arguments were separately valid, this is far removed from demonstrating that a need exists for a radical extension of industrial democracy or that the effects of such changes will prove to be what the majority expect. The compiling of a list of pressures for changes which are often based on empirical and historical generalizations sometimes drawn from continental European experience can be countered by citing other factors which do not appear to point in the same direction. For example, some have drawn attention to the apparent cyclical nature of the recurring pattern of interest in participation (see Brannen, *et. al.*, 1975 and Ramsay, 1977). It is by no means self-evident that grass roots interest in industrial democracy is greater today than during previous cycles.¹⁵⁾ Furthermore, the dangers of adopting a predominantly inductive stance are multiplied when combined with a sprinkling of *a priori* arguments. This is particularly the case, as will be argued later in Section VI regarding the economic implications of the majority proposals, when deductive reasoning is not applied systematically to all sets of reasons nor developed as fully as it might be.

It is clear that the majority does not make the case convincingly for either the need for a radical extension of industrial democracy in Britain or the expected benefits attending such a change. But it is even clearer that the analytical tools currently available prevent such a case from either being made or refuted.¹⁶⁾ In general, the case for radical extensions of industrial democracy rests essentially on philosophical-ideological bed-rock, with inductive and deductive reasoning of secondary concern. In this particular case, as argued in the second section, the main factor behind the establishment of the Bullock committee and this particular approach to a radical extension of industrial democracy, was the decisive in the policy of the TUC and Labour Party towards worker representation on boards. The endorsement of the idea of worker directors by these movements provided the political rationale for a radical extension of industrial democracy.

Once the case for a radical extension of industrial democracy has been accepted by the majority, acceptance of the two remaining assumptions

¹⁴⁾ Possible exceptions are the schemes recently introduced in Sweden and that operating in the German montan industries.

¹⁵⁾ Wilson is of a similar opinion. In his note of dissent he argues that the majority's proposals are far ahead of general public opinion. Great dangers would accompany attempting to introduce activist reforms far in advance of social evolution.

¹⁶⁾ But the majority might have strengthened their hand by adding other factors to the list. Given the widespread feelings of anomie and frustration among workers more attention might have been devoted to the possible implications of a radical extension of industrial democracy for improvements in the quality of working life. Moreover, they might have cast their net wider and deeper when drawing upon relevant experience. On the former count the continuing developments in non-Western European countries such as Malta, Chile, Peru and Yugoslavia and even the U.S.A. are additional evidence of a flourishing contemporary interest in industrial democracy. On the latter, the extensive and persistent interest in industrial democracy in the UK during the past could have been recalled and reviewed, and mention made of other contemporary expressions of interest in other forms of industrial democracy particularly the new worker cooperatives (see Coates, ed., 1976) and the Industrial Common Ownership Act, (November, 1976).

quickly follows. After reviewing the European experience with worker directors (and also, presumably the British experience in the B.S.C.¹⁶) they accept that if industrial democracy is to be truly radically extended then parity representation on policy-making boards must be a component of any effective set of proposals. Noting the high and growing level of union penetration in large British companies,¹⁷) and the demise or metamorphosis of other British participatory forms which ignored the institutional reality of strong local British unions, the majority accepts that it would be completely unworkable and impracticable to propose such an extension on the basis of anything other than a single union channel.¹⁸)

B. Minority Report

The minority sees the remit in a very different light. This is clear from the very first paragraph of their report where they express their regret that the committee was not asked to consider *whether* a radical extension of industrial democracy was desirable and if so *whether* it should be achieved by worker representation on boards. They categorically state that they consider the remit most unsatisfactory and even unwise. But none of the assumptions contained in the remit are totally rejected, though none are warmly embraced.

The wisdom of a radical extension of industrial democracy is the assumption found most wanting by the minority. In part this flows from casual empiricism — the perceived widespread and resilient resistance to such ideas on the part of middle management, most employers and some trade unions. In addition, they do not believe that the demands for such changes exist at grass roots level and consider it «... unwise to impose democracy on those who are unwilling or unready to receive it» (p. 171). Further, they believe that any radical approach to the extension of industrial democracy will be accompanied by great risks. Various economic distortions would likely follow and industrial relations problems might be exacerbated. Consequently, they prefer a more moderate approach which emphasizes accountability by management and a greater degree of appropriate involvement of employees in company affairs.

The minority rejects outright suggestions that employees should be able to claim representation on policy-making boards via union machinery. But the principle of employee representation on boards is not rejected. Indeed, they not only accept the desirability of such representation (though only on supervisory boards and then after effective employee councils have been in operation for three years) but also accept the desirability of parity representation. Furthermore, while the minority rejects the idea of a single

¹⁶) For a review of the experience with worker directors at British Steel Corporation, see Brannen *et. al* (1976).

¹⁷) Union membership data do not enable union density by establishment size to be directly computed. But by applying the technique of cumulative exclusion to industries dominated by small establishments, the committee makes use of available data on union density by industry to arrive at an overall density figure for the private sector (excluding the smaller establishments) of about 72%. Much of the basic statistical work in this regard is drawn from an article by Price and Bain (1976).

¹⁸) The experience with traditional joint consultation, particularly since the postwar growth of the shop steward movement, is especially revealing in this respect. See McCarthy (1966).

union channel and instead expresses a preference for a broader electoral base, it recognizes that trade unionists will play a major part in whatever arrangements are eventually implemented (p. 175).

C. Conclusions

Thus, it is clear that whereas the majority is very much in favour of a radical extension of industrial democracy, the minority is very much on the defensive in its approach to any extension of industrial democracy. The minority sees any such extension being defensible only if it assists the prime aim of improving economic efficiency and does not unduly disturb the *status quo*. The need to improve economic efficiency and industrial relations is usually of secondary concern for the majority, with prime attention devoted to the democratic imperative. Indeed, the ideological drive for some of the majority is to devise a package that helps to preserve the mixed economy while others probably see their proposals as a step towards a different goal, possibly a worker-controlled economy. While the majority strongly believes that any extensions should take place through union channels and include worker directors on policy making boards, the minority sees themselves on the horn of a dilemma posed to such principles yet seeing the inevitability of some change involving eventual acceptance of these features. In justifying the reasons for and the expected consequences of their basic positions, both reports employ a mixture of deductive and inductive reasoning. In so doing, neither report satisfactorily establishes the case for all of its precepts. But the majority, ably supported by important new statistical information and a broader range of arguments, comes much closer to this goal than does the minority.

V Will the Proposals Work?

For each of the principal components of the report, a judgement on their practicability can be formed in three stages. First, the extent to which the participation proposals of the majority and the minority in principle satisfy those conditions which they regard as necessary for effective industrial democracy, is examined. Important aspects of the way in which the participation blueprints might be reasonably expected to operate in practice are looked at next. Last of all, attention is briefly directed to examining the extent to which the proposals are found wanting in other respects which some might regard as necessary elements for effective participation.

A. Majority Proposals

Potentially, at least, the majority proposals provide for a coherent and institutionally workable package which, by grafting new institutions on to the existing scheme of things, effectively provides for a radical extension of industrial democracy. These proposals are most obviously radical on the

key issue of proportions and in terms of the scope of the recommendations. Whereas workers currently enjoy no rights for representation on boards, the majority recommends that workers should have the right to *equal* representation with shareholder representatives on boards which have ultimate authority. The proposals are also comprehensive; all large companies in the private sector are covered with no exemptions for domestic or foreign-based subsidiaries. Strong safeguards are built into the proposals to ensure this; the provision that employees always have parity representatives on the holding company is particularly important. In addition, if these recommendations are contrasted with schemes already in operation elsewhere in Western Europe and the yardsticks of proportions and comprehensiveness are applied, it is clear that the majority proposals are radical. It is equally apparent that the majority's recommendations also accept the other two assumptions of the committee's remit — a participation package is devised which attaches central importance to worker representation on boards with worker representation on all elements in the participation structure proceeding through trade union channels. In the British context with average union density in large companies of about 70 per cent and where shop stewards are frequently and democratically elected,¹⁹⁾ these features are vital for trade union acceptance. The recognition of the need to ensure that various safeguards exist is another hallmark of the scheme. Of importance in this regard are proposals for training of and providing facilities for worker representatives, the formation of the IDC and the use of instruments of control in takeover situations. But of central importance is the introduction of the Y element into the boardroom to help alleviate the chance of boardroom splits and hopefully to provide for consensus decision-making. On issues dividing the other two groups of board members, it is believed that independent members would neither be completely impartial and open-minded nor effectively further representatives for shareholders or workers. Instead, they would have degrees of commitment and vote in an independent spirit. Flexibility and voluntarism are other attributes of the majority proposals. The majority recommends enabling and not mandatory legislation. To promote maximum flexibility within a multi-union framework, procedures for selection and qualifications of worker representatives should not be imposed by law but should be devised by workers themselves. Adopting this perspective and interpretation, it is possible to share the majority's opinion that its proposals would not only work but also produce all the desirable effects it draws attention to.

But the previous section has indicated that there is reason to believe that the effects of the proposals may be other than what the majority expects. Also, a number of considerations suggest, should legislation based on the majority report ever be introduced, that the apparent coherence and robustness of the participation proposals may in practice prove to be somewhat more fragile. The emergence of genuine joint control might be threatened because the list of attributed functions of the board may prove inadequate for ensuring that real power in major areas rests with the reconstituted board. For example, the reforms might act to galvanize shareholders and promote a united and active front which, though unable to

¹⁹⁾ For valuable information on this, see Batstone, *et. al.*, (1977).

initiate resolutions in several areas, could conceivably and consistently reject board resolutions which they viewed as not serving the best interests of shareholders.²⁰⁾ Companies whose total labour force is slightly in excess of 2,000 might evade the intent of the law by reducing their labour forces below this critical level before the trigger could be pulled. Companies which might have grown to this size might choose not to do so because they believed not only that the majority proposals would be harmful to the interests of the company but also that these losses outweighed any benefits resulting from economies of scale at the larger size.

In a number of other respects, it is perhaps even more likely that the forecasts by the majority of the effects of its proposals may prove in practice to be somewhat optimistic. Six considerations are particularly important. Perhaps the main area of concern are three beliefs concerning substructures: (i) substructures either already exist or would be rapidly generated by the triggering procedures; (ii) substructures would work smoothly; (iii) substructures would help to generate a plentiful of able workers wanting to be board members. Assessing the justification of the first opinion as it concerns existing substructures is complicated because no reliable data exist on the current extent of stewards committees of various kinds or of company-wide joint consultation machinery, all of which might serve as the basis for the proposed JRCs. Casual empiricism does, however, suggest that the number of such institutions is rapidly growing. A rekindling of interest in joint consultation is also evident.²¹⁾ Moreover, it is of a kind qualitatively different from its traditional predecessor, often based on a union channel and concerned with company level strategic issues. In addition, the threat of legislation and the public debate evoked by Bullock will act as further stimuli to the growth of these substructures. However, even if such institutions already exist in all large companies, it does not follow that the introduction of legislation based on the majority proposals would lead to the rapid formation of IRCs or that IRCs would readily resolve their first tasks following an affirmative ballot, i.e., deciding (with the existing board) the size of the reconstituted board and the procedures for selecting representatives.²²⁾ Speedy resolution of such matters could be affected in multiunion situations only when the most important parties perceive that there would be major gains following the changes and that these would far outstrip any expected losses. But there is no reliable evidence one way or the other to suggest that this is how most workers, including shop stewards, view the situation. Likewise, there is no persuasive evidence on the wishes of workers to become board mem-

²⁰⁾ It is also conceivable, though perhaps highly unlikely in the British cultural context, that management may unduly and perhaps unfairly influence voting in the secret ballot or impose conditions which inhibit voter turnout, such as insisting on holding elections at awkward times. Much would depend on the specifics of the IDC's code of practice and the way in which it was applied.

²¹⁾ Preliminary evidence using sample surveys by Brown and Terry at the Industrial Relations Research Unit, University of Warwick, suggests that in many industries at least 80% of enterprises employing more than 2,000 have a stewards committee. Concerning joint consultation, some recent experience is reviewed by Jones in Garson, (ed.), (1977). For recent changes largely due to the growth of shop stewards, see Cadbury-Schweppes (1976).

²²⁾ Even greater problems might confront IRCs once they were established. The need for reconstitution after unionization of previously non-unionized groups or after major changes in the relative importance of different unions following structural changes in the enterprise's workforce, might be especially stressful, particularly as such changes would usually benefit white-collar unions. Potentially the IDC would have an important role to play in safeguarding the emergence of ossified, oligarchic structures.

bers. In many cases it would seem that even if legislation were introduced, in order for successful triggerings to take place and for JRCs to be formed and boardroom worker representatives chosen, it is clear that major and effective campaigns of persuasion by national union leadership would have to be mounted.

It is in this regard that an examination of the formulation and introduction of the worker participation scheme at Harland and Wolff, a scheme which more closely than any other scheme in Britain today resembles that the majority proposes, is of interest.²³⁾ There the formulation of the basic features of the participation scheme, which includes the provision for the establishment of a Joint Implementation Council (a body equivalent to the JRC) and determination of procedures for the election of worker representatives to the board, took more than two years of negotiation between the thirteen different unions. But by March 1977 — almost three years since the idea introducing genuine worker participation was first proposed at ministerial level — elections for the positions of worker directors had still not been held. This suggests that resolution of the various difficulties posed by the introduction of a major participation scheme are likely to prove more painstaking than envisaged by the majority. But perhaps more importantly, this experiment shows that such difficulties are not insurmountable. Despite the difficulties caused by the existence of thirteen different unions organized in fifteen branches and six main negotiating groups containing from one to seven unions, the simultaneous nationalization of the firm and the problems faced by pioneers, agreement was able to be reached. Should legislation based on the majority's recommendations be introduced, it is likely that the knowledge and experience gained from the Harland and Wolff scheme could lead to even speedier resolution of these potential difficulties concerning substructures always, of course, presuming that substantial support existed among the workforce for the introduction of the basic scheme.

Second, there is no guarantee that, in practice, the Y element will perform the balancing function which the majority expect. Instead, it is quite conceivable (as is forcefully argued by Wilson in his note of dissent) that the independent group will be not only essentially co-opted on a 'horsetrading' basis but also that they will regard themselves as additional worker/shareholder representatives. If this was the case the size of the two party elements would be effectively increased producing block voting and adversary relationships in the boardroom. In such circumstances, co-opting the last member of the Y component assumes fundamental strategic significance.²⁴⁾

Third, it is unlikely that the proposed training, particularly for worker representatives on the board, will be adequate to enable them to properly discharge their new responsibilities. Not only is the envisaged six-

²³⁾ Though the essential substance of the scheme had been formulated in mid 1970, final details of the scheme had not been determined by March 1977. For accounts of preliminary versions of the scheme see *Industrial Relations Review and Report*, no. 92 (April, 1975) and no. 105 (Sept, 1976) and Compen (1976). Compared to the proposals of the Bullock majority, the biggest single difference in the Harland and Wolff scheme is that seats on the board of directors will be allocated on a 3X formula with five trade union representatives and equal numbers of government appointees and managers from the firm.

²⁴⁾ But the fears of those (particularly in initially deadlocked situations where the Y element is appointed by the IDC) that Y members will effectively be additional employer representatives is unconvincing.

weeks training course somewhat brief but also there would inevitably be teething problems since unions who will likely be in charge of training of other representatives, have no experience whatsoever in this area. There is also no guarantee that worker representatives will realize the extent of the necessary back-up facilities that they will need if they are to have a chance to function on as informed a basis as do shareholder representatives and, if so, whether the facilities will be forthcoming without employers putting obstacles in their paths. More generally, the whole concept of 'education for industrial democracy' receives insufficient attention and needs further consideration. This is particularly apparent in view of the financial resources of British unions which are obviously inadequate to enable them to effectively tackle this job without public assistance on a much greater scale than that envisaged by the majority.²⁵⁾

The ability of the IDC to cope with the potentially huge responsibilities placed on its shoulders is a fourth area of concern. The powers of the IDC are conceivably of enormous import, particularly the ability in the event of deadlock to appoint independent members. In such circumstances it is easy to imagine the IDC's job becoming more difficult than perceived by the majority, especially if a foreign-based multinational is involved. If the IDC ends up by playing a more activist role than envisaged by the majority, it is unlikely that those resources the majority recommends making available to the IDC will prove sufficient to enable it to adequately discharge its responsibilities. Obvious dangers to the credibility of the IDC attend the drawing up of criteria and the establishment of processes to govern appointment of full-time union officials as worker directors in special circumstances. Devising various codes of conduct poses a similar challenge to the ability of the IDC to maintain an impartial, yet independent, stance that is free from government intervention but ensures its credibility in the eyes of all interested parties.²⁶⁾

Fifth, it is by no means self-evident that management at all levels will warm to the proposals as the majority argue. Instead of enjoying a new legitimacy based on management by consent, they may be frustrated by the reduction of the number of board seats accruing to shareholder representatives (and the implications of such for their own possible advancement) and, in some instances, threatened by the problems posed by having to supervise shopfloor workers who are also worker-directors. Finally, there are various doubts over whether or not the majority deal adequately with the effect of boardroom representation on collective bargaining. In some cases problems will arise over the practical difficulties of separating bargaining from boardroom issues. More often, the problem may be one of determining the appropriate structure of discussion for matters which may come under the aegis of collective bargaining as well as come before the board. In both cases it is assumed that worker representatives on the board and the JRC will be easily able to decide such matters. Again, preliminary reports on the scheme at Harland and Wolff suggests that in

²⁵⁾ The possibility exists of securing funds for training from the E.E.C.

²⁶⁾ The success of ACAS, however, in such matters suggests that these problems can be readily overcome.

practice such matters, though troublesome, are not intractable. Also, the oft-quoted difficulty of role conflicts remains; it is potentially likely to be most acute for shop stewards participating in both processes.

But, even if none of these problems in fact did arise, there may be important omissions from the list of conditions which the majority sees as necessary for the radical extension of industrial democracy. Consequently, such omissions might threaten the effectiveness of the proposals. Most importantly, by implication the majority believes that the effectiveness of its proposals does not depend at all on simultaneous changes taking place in the economic structure of the enterprise. This is an area which is examined in more detail in the next section; for now it is sufficient to note that the majority does not see the need to link up these institutional changes with changes in matters such as income-sharing. It implicitly believes that no additional economic motivation is needed to ensure the success of scheme but that the political gains to worker representatives under the proposals would constitute a sufficiently strong motive to ensure that workers and their representatives would successfully strive to make the scheme work.

B. Minority Proposals

The minority proposals do not provide for a radical extension of industrial democracy. They are not comprehensive. Proposals do not apply to subsidiaries, foreign-based multinationals or companies in the financial sector. They do not propose that workers be given rights to assume significant powers in decision-making on a board with ultimate authority but instead recommend that workers have the opportunity to attain membership of what are essentially toothless bodies. Though provisions should not be mandatory, testing conditions regarding workers' preferences for worker representation on supervisory boards need to be fulfilled and exacting eligibility requirements for candidacy should be satisfied before the scheme could be introduced. Moreover, this minimal extension of worker power can be achieved only after a lengthy gestation period. Employee councils are seen as the cornerstone of any participation scheme.

Despite the important recognition of the need for parity representation between worker and shareholder representatives, the above characteristics of the minority proposals are sufficient to ensure virtually complete opposition by British union leadership to legislation based on these recommendations. Should any such legislation be introduced, a union attitude of no-cooperation is virtually assured. Furthermore, detailed specifications of the powers, duties and responsibilities of the proposed supervisory boards (p. 179) will promote an unnecessary rigidity in company operations which clearly conflicts with the minority's objective of ensuring maximum flexibility (p. 173).

But even if union leaders could be persuaded to accept the minority proposals, there are major doubts as to the practicability of these proposals. Great stock is placed on the need for effective substructures, particularly a mandatory requirement for employee councils (p. 174—5). But this proposed institutional transplantation (borrowed from the German experience) ignores vital differences in the character of the two systems of industrial

relations, most noticeably the traditional weakness of German unions at the shop-floor level compared with the British situation. In multi-union situations at plant level, the attempt to introduce employee councils not based on a single union channel would inevitably exacerbate inter-union rivalries and heighten conflict among differing sections of the workforce. In the extremely unlikely event of such difficulties being overcome, there are a number of other matters on which the minority proposals are silent and which, without reliable guidelines, are likely to lead to the introduction of defective and perhaps unworkable 'participation agreements.' To take one example — the ballot for the introduction of supervisory boards, which would include worker representatives — the minority does not: indicate whether it believes part-time employees should be eligible to vote; outline a code of practice governing conduct in and supervision of ballots (or indicate who should have responsibility in these areas); say will finance the election; indicate a specimen question for the ballot or specify whether, in the event of a negative vote, another vote would be able to be held and, if so, after what conditions have been met.²⁷⁾

C. Conclusions.

The majority proposals appear to constitute a radical and workable blueprint for extending industrial democracy. In practice, it is possible that in several important respects the institutions and procedures which the majority proposes in order to provide for a radical extension of industrial democracy might constitute something less than the envisaged equal partnership. Moreover, the proposals might prove to be more troublesome to implement than the majority expects so that their whole participation package may be less coherent and workable than first appears. These difficulties would be of uneven incidence and importance, dependent on factors such as the nature and character of the independent board members and the cohesiveness of substructures. On the other hand, it is clear that the minority proposals constitute a patently lightweight document. If legislation based on the proposals was ever contemplated, major amplifications to the proposals would be needed before they could provide a serviceable framework for legislation that would have any chance at all of being workable. But more importantly, fundamental changes in the existing proposals would be required in order to square with the industrial reality of the need for the proposals to be generally acceptable to organized labour.

VI IMPLICATIONS

Should legislation based on the majority proposals ever be introduced, three main groups of implications can be distinguished.²⁸⁾ First, the likely economic implications of the majority proposals are deserving of attention.

²⁷⁾ The minority is also silent on the crucial matter of training. There is no discussion of training or who would control and fund the programmes.

²⁸⁾ All are considered to be particularly relevant from the standpoint of economics and industrial relations. Space constraints prohibit consideration of the implications of the minority report. But clearly no major changes, except insofar as the adoption of employee councils would be encouraged or perhaps even required, would accompany implementation of it.

Second, there are industrial relations implications of a broader nature than considered in the previous section. The development of company union structures is of special interest. Finally, other implications of a more general nature, including those for future research, can usefully be examined.

A. Economic.*

The majority takes a pessimistic view of the state of British industry. It believes that radical surgery is needed to cure the British malaise and that a radical extension of industrial democracy is an essential part of this cure. It is supposed that »Board level representation of workers will have beneficial effects on the performance of British Companies« (p. 50), providing a new basis for overcoming Britain's »current economic and industrial difficulties« (p. 49). One major reason for expecting this transformation is the economic impact of improved industrial relations. But as has been argued in the previous section, there are various reasons why, in practice, industrial relations might not improve very much under the proposed new arrangements. Thus if 'independent' members in fact prove to be additional worker/shareholder representatives, consensus decision-making will often prove difficult to attain. This will slow up decision-making (without necessarily leading to quicker implementation of decisions) and likely produce poorer industrial relations with further deleterious effects on economic performance. Also, the previous consideration of the practicability of the majority's proposals has indicated other specific reasons for concern. For example, since implicit costs of training worker representatives will be borne by employers, unit costs of production can be expected to rise.

The economic arguments adduced by the majority in supporting its optimistic economic expectations were listed in the fourth section of the paper. In addition, it argues that neither the volume of investment nor the ability to finance such investments either from retained earnings or through external funds would be adversely affected. But the economics underlying the majority claims are not clear. Indeed very little of the report and research papers and little of the oral evidence seem to have been concerned with economic matters. Close attention to economic aspects is perhaps hardly surprising given the virtual absence of both economic analysis and investigation of firms which are constituted on bases closely resembling the majority formula. Yet consideration of the majority report from the perspective of recent developments and recent applied economic work in the area, raise the possibility that there may be reasons for thinking that the economic consequences of the proposals may differ from what the majority envisages.

The basic cause for concern stems from the belief that firms should have a well-defined objective function, the pursuit of which under 'ideal' conditions will lead firms to organize production and investment so that they will be economically efficient. For labour-managed firms many theorists, including Vanek (1970), argue that maximization of income (surplus/residual) per worker will achieve this goal. For traditional capitalist or

* Discussions with Charles Baden-Fuller led to substantial improvements, in the exposition of the argument in this subsection.

capital-controlled firms, it has been similarly argued that maximization of total profits will also lead to economic efficiency. While all recognize that 'ideal' conditions do not in fact prevail and that these behavioural rules oversimplify matters somewhat, it is generally accepted that the possibility of achieving efficiency requires a clearly-defined and rational objective of the firm.

In this light, there is no obvious answer as to what the objective of a Bullock partnership firm would be.²⁹⁾ Shareholder representatives would take into account the interests of shareholders as well as pursue their own interests and so aim to maximize/satisfy shareholder income while not losing sight of their own utility function. Analogously, worker representatives would presumably aim to maximize/satisfy per worker income, while protecting jobs and taking into account their own »shop steward« utility function. Added to this are the independent members who have no obviously predictable interests. It is clear that there is no readily apparent rule to which decision-makers could be expected to abide or a set of criteria with which to judge the success of firms reconstituted on the basis of the majority's recommendations. Equally, it seems unlikely that an economy consisting of firms for which no clear and rational objective function is felt to prevail could, in principle, be economically efficient and in practice unlikely that any of the expected economic benefits of the proposals will emerge.³⁰⁾

Though there appears to be little economic analysis of firms jointly controlled by workers and shareholders, presumably economic theory³¹⁾ would suggest that an important way of producing some of the desired economic effects is for the surplus (residual/profit) to be jointly shared between workers and shareholders. Not only would a provision for surplus-sharing be in keeping with the Bullock partnership philosophy but also, unless there are direct economic gains to the new worker-partners, it is unlikely that economic efficiency will improve.

In practice, there would be two main difficulties concerning such a proposal. One complication is the well-known problem of defining the surplus in economic terms. There are a variety of possible solutions to defining 'residual' in the real world. Each involves allocating an interest payment (which reflects the factor's relative scarcity in the economy) to shareholders and suppliers of capital. The second difficulty is how to divide this residual between workers and shareholders? Since Bullock suggests that workers and shareholders should equally share the responsibility for running large firms, it would seem to follow that workers share of this residual should be closer to a half than the present no share. Also, the proportion of the surplus accruing to workers should be a known quantity; only then might the various specific claims of the majority

²⁹⁾ The full force of this argument depends on the Bullock proposals actually leading to a transformation in the control arrangements in affected companies and genuine co-determination of strategic issues really emerging.

³⁰⁾ The proposition that firms without a clearly-defined control structure tend to be economically inefficient has received some empirical support. For example, for British producer cooperatives Jones (1974) found that the most inefficient firms were those which were neither clearly controlled by representatives of consumer cooperatives or worker representatives. In firms apparently controlled by workers, the economic consequences of the failure to devise arrangements which ensure that workers also have a right to the residual are shown by Jones and Backus (1977).

³¹⁾ See Vanek (ed. 1975: Introduction) for a review of what is known and some of the pertinent practical problems.

for expected improvement in economic performance — such as releasing latent energies and thereby increasing productivity and quicker implementation of decisions — in fact occur.

Moreover, these additional arrangements might be needed to ensure that neither the amount nor the mix of investment will suffer under the majority proposals. Undoubtedly, there will be some external constraints ensuring some reinvestment. Increasingly, unions who own stock (principally via occupational pension schemes) will bring pressure to bear on boards. But the provision of direct and known shares in the surplus to all decision-makers (and their constituents) will probably more effectively ensure rapid rates of capital accumulation.²⁷⁾

Thus, in many instances, the likelihood of the majority's proposals producing the expected beneficial economic effects is questionable. Without additional proposals designed to build in economic incentives for workers and their representatives, so that they are economically motivated to make the proposals work, there is perhaps more chance that economic performance would suffer than improve under the proposed reforms.

B. Industrial Relations

In section V A it was argued that the majority proposals will not necessarily produce the expected beneficial improvements in industrial relations. Here the concern is with different facets of industrial relations. The main institutional implications would obviously be in companies where workers voted to introduce employee representation on boards. It is unclear how many companies might so vote but most likely to lead the field would be companies in industries where union leadership strongly favours the idea and where union membership is greatest, such as manufacturing and transport. In such cases, the most discernible institutional effect would be, via the impetus given to stewards committees and the formation of JRCs, for the filling-in at company level of gaps in current bargaining structures. In the short term, the extension of the scope and extent of worker influence on decision-making via worker representation on boards and the formation of JRCs would strengthen existing collective bargaining machinery, particularly by providing for coordination of strategy in multi-plant enterprises. Yet the longer run implications of these company-based developments for existing collective bargaining are uncertain, though the suggestion of one authority (Eccles, 1977:13) of the possible break-up or disappearance of general unions is unconvincing.

If the new participation machinery became established and was seen to be beneficial to workers' interests, it is likely that non-union workers

²⁷⁾ Provision of funds for such investments need not necessarily suffer. Lenders of short — and medium — term loan capital would continue to have a guaranteed and known income. Equity shareholders lose some rights of control under Bullock's suggestions and under the additional surplus-sharing provision also lose some rights to profit. But in exchange for such a loss of rights they have a guaranteed income (the interest that the firm must pay them for the use of capital) and hence under such a scheme equity comes close in nature to loan capital. Yet if external capital supplies did suffer, it might be necessary to consider the establishment of a specialist bank catering to Bullock-partnership firms. Some (or all) of the residual income might be retained for accumulation, though credited to individual partners' capital accounts or issued as new shares which could not be redeemed for a specified period.

would be encouraged to join unions; consequently, average union density would increase in enterprises whose boards were reconstituted on a Bullock-majority basis. The key part played by shop-floor representatives in the new system would increase their status and power both absolutely and relative to that of full-time union officials at branch level. The pressures for unions to peacefully co-exist under the new arrangements, particularly the need for continuing cooperation on the JRC could act as a powerful force to alleviate inter-union rivalry and possibly as a catalyst tending to reduce the number of unions via mergers. It is also interesting to speculate on the probable locus of power in these hypothetical company-based unions. With the change in the structure of the labour force continuing in favour of white collar occupational group, it is quite probable that in many of these companies the representative machinery that ultimately emerges would reflect white collar dominance. In turn, this could conceivably help to accelerate the qualitative changes afoot in the character of the whole organized labour movement in Britain. The provision of training for worker representatives would undoubtedly have beneficial spillover effects, particularly among shop-floor workmates of worker representatives. It is also feasible that this stimulus to industrial democracy might produce favourable effects in internal union processes and also help to guarantee against abuses of union power. By promoting and developing a sense of political efficacy among workers, society at large might also benefit in a manner similar to that argued by Pateman (1970).

In companies where workers choose not to trigger the Bullock-majority scheme, employers will likely develop or revamp their own participation schemes, which can be expected to include employee councils as a central feature and perhaps involve employee participation in strategic matters either via worker membership of supervisory boards or joint consultative bodies established for such purposes.

C. Other Implications

The Bullock Report is likely to prove to be an educational and strategic document of the first importance both in Britain and elsewhere. The period preceding publication and the period immediately thereafter have witnessed what is perhaps an unparalleled public interest in the issues raised by any recent Committee of Inquiry. While much of the early commentary has been of a questionable quality with widespread misrepresentation of the report, the appearance of more reliable guides is to be welcomed and is bound to raise the level of public debate.

The report is of broader potential significance than just the British context. It draws attention to many of the institutional issues that will be of concern to other countries with strong union movements and which are interested in radical extensions of meaningful democracy. It highlights many of the principles which would likely form the basis of any realistic strategy which aimed to achieve that goal, particularly the need for at least party representation grounded on single union channels.

Obvious research implications follow from the report. The report serves to re-emphasize the gap that exists in the literature in the general

area of strategies for and problems of extending industrial democracy in meaningful but generally acceptable ways. Much has been done recently to analyze and define the economic characteristics that are necessary for efficient labour-managed systems. But the more generally relevant area of schemes which aim to radically extend the scope and extent of worker influence in decision-making yet stop short of complete labour management (though the latter may be a goal) has received much less attention. There is an urgent need for economists and others to analyze and hopefully specify conditions for improving the workability and efficiency of such 'participatory' schemes.²³) By recommending institutional forms and practices firmly grounded in the British cultural context, the majority report makes a valuable contribution to enriching our understanding of these problems. Further understanding is likely to follow by studies which try to integrate the dominant non-institutional mode of analysis of recent formal economic theory with the predominantly institutional Bullock approach. Understanding of the problems likely to be encountered by firms reconstituted on a Bullock-majority basis might be illuminated by research into the Harland and Wolff Shipyard and also the new worker cooperatives.²⁴)

VII. CONCLUSIONS AND PROSPECTS

This essay began by examining reasons for the establishment of the Bullock Committee and continued by providing a detailed account of the main elements of the minority and majority reports and the dissenting note from the majority report. The contrasts in these main reports were seen to be at root a product of differing philosophies. Whereas the majority was mainly receptive to the idea of a radical extension of industrial democracy the minority reluctantly acquiesced to marginal changes. Both reports employed a diverse collection of deductive and inductive arguments to support the reasons for and the expected consequences of their basic positions. As such the logical foundations for both of the reports are inevitably uneven and sometimes fragile, though the edifice for the minority proposals is particularly suspect. When an attempt was made to evaluate the likelihood of implementation of the main proposals resulting in radical and effective industrial democracy, the set of proposals advanced by the majority was found to constitute the much more coherent and workable package. There were, however, important respects in which the majority proposals may prove to be less coherent and less likely to result in marked improvements in industrial relations than at first appears. Major question-marks surround the envisaged balancing role of independent board members and the presumed attractiveness of the proposals to many workers. Some of the economic benefits which it is claimed would accompany implementation of the proposals are also open to doubt. The absence of a clearly-defined goal in firms reconstituted on the Bullock-majority basis and

²³) There is a related problem of developing typologies which provide a framework for the analysis of these 'participatory' firms, that is those experiments in workers' management which though not completely 'capital-controlled' are neither completely 'labour-managed' (see Vanek, ed., 1975:13-16).

²⁴) For recent accounts of these, see Coates (ed., 1976).

provisions providing for worker participation in residual income as well as participation in control lend support to the opinion that the majority may be over-optimistic both as regards the practicability of their proposals and also concerning the likely benefits attending implementation in the areas of industrial relations and economic performance. The minority report was adjudged to be impractical; if introduced, it is unlikely to result in any substantial changes. Finally, some of the major implications of the majority proposals were examined.

In conclusion, it must be reiterated that in the current political circumstances the possibility of radical change via legislation based on the majority report is highly unlikely and any changes will only take place after some years. If the history of reports of other recent Committees of Inquiry is any guide, the recommendations of the majority report will not necessarily constitute the framework of a government Bill. Moreover, the tenuous position of the present government and its heavy legislative programme will not help expedite matters. A deep division of opinion on the matter continues in the country, a division mirrored in the generally hostile reception given by the media to the majority report and the post publication campaign launched by the CBI against the basic idea of worker representatives on boards. A considerable gap exists between the publicly-stated sticking points of the CBI and the TUC.²⁵) Many union leaders opposed to the TUC position, no doubt angered by the failure of Bullock to hear oral evidence from dissenting unions, have reiterated their opposition to the majority proposals. Further disagreement and delay may occur if the government attempts to deal with most nationalized industries in a way similar to Bullock's recommendations. Thus, there is a very real chance that the whole notion of worker representation on boards in the private sector may get shelved altogether, at least for the remainder of this decade. If a basis for agreement between the main parties can be found, it is likely to involve a compromise between the two main sets of proposals in Bullock, somehow modified to reflect the views of the CBI and unions opposed to the Bullock majority recommendations.

If legislation were introduced it would seem that this could not take place before the end of 1977. Since this could not be enacted until the following year, and allowing for time for preparation and negotiation (provisions for which would be included in a Bill) the earliest time by which worker representatives in the private sector would begin to take their places on the basis of the Bullock majority formula (and then assuming successful triggering) would be about 1979. But even if no legislation concerning the private sector is introduced, this would not prevent experimentation in selected nationalized industries with worker director schemes closely resembling the majority proposals.²⁶) Moreover, the intensity of the reaction to the Bullock report shows that the issue of industrial democracy has been placed firmly on the agenda of British politics. It is likely to stay there for a long while.

(Rad primljen februara 1977.)

²⁵) Whereas the TUC is committed to the principles of parity representation on unitary boards based on union channels, the CBI is equally firmly opposed to union nominated directors to company boards, parity representation and reliance on single union channels.

²⁶) Since the publication of Bullock, proposals along these lines for the Post Office have been approved.

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BULLOCKOV IZVEŠTAJ

Derek C. JONES

Rezime

Članak počinje analizom istorijske i društveno-političke situacije u kojoj je osnovan Bullockov komitet. Značaj osnivanja Bullockovog komiteta vidi se u tome što on odražava bitne promene u politici sindikata i Laburističke partije po pitanju učestvovanja radnika u upravljanju (i to uglavnom preko predstavnika u upravnim odborima) čiji se počeci mogu jasno uočiti 1966. godine.

Bullockov izveštaj se sastoji od dva glavna elementa i to »izveštaja većine« (potpisan od strane tri člana univerziteta, tri sindikalna funkcionera i advokata Wilsona, koji je za sebe zadržao pravo neslaganja) i »izveštaja manjine« koji su potpisala preostala tri člana, predsednika korporacija. No i pored toga što ova dva elementa predstavljaju odvojene celine, smatrali smo da bi bilo korisno da u daljem tekstu izložimo sve komponente ovih različitih celina i putem komparacije istaknemo njihove razlike. Najvažnija preporuka »izveštaja većine« je u tome, da se ustanove takvi postupci koji će omogućavati radnicima zaposlenim u privatnim kompanijama u Britaniji sa 2000 ili više radnika da efikasno preko svojih sindikalnih aparata odlučuju o izboru određenog broja predstavnika radnika, koji bi odgovarao broju predstavnika akcionara, da budu članovi postojećih upravnih odbora u kompanijama (jednorazinska struktura). Za razliku od toga, »izveštaj manjine« preporučuje da se ustanove takvi postupci koji će omogućavati radnicima zaposlenim u privatnim kompanijama sa 2000 ili više radnika (mada tu ima mnogo značajnih izuzetaka) da, pod određenim uslovima, iz jedne izborne jedinice koju čine svi radnici zaposleni u jednoj kompaniji, izaberu određeni broj predstavnika radnika, koji će odgovarati broju predstavnika akcionara, u članstvo novoizabranog nadzornog odbora u dvorazinskoj strukturi uprave u kompanijama.

Razlike u stavovima ova dva izveštaja u suštini su rezultat dveju različitih filozofija. Dok je za »većinu« uglavnom prihvatljiva ideja o radikalnom proširenju industrijske demokratije, »manjina« se preko volje miri sa marginalnim promenama. U oba izveštaja koristi se niz različitih deduktivnih i induktivnih argumenata, da bi se poduprli razlozi za osnovne postavke kao i očekivane posledice istih. Kao takve, logičke osnove oba izveštaja su neminovno neujednačene i ponekad slabe, premda je struktura propozicija »manjine« posebno nestabilna.

Kada je učinjen pokušaj da se oceni mogućnost sprovođenja glavnih predloga koji bi doveli do radikalne i efikasne industrijske demokracije, ustanovljeno je da komplet predloga koje zastupa »većina« predstavlja mnogo skladniju i izvodljiviju celinu. Bilo je, međutim, nekih značajnih aspekata u kojima su se predlozi »većine« pokazali manje logički dosledni i oni ne bi doveli do značajnijih poboljšanja u industrijskim odnosima, kao što je to u početku izgledalo. Takođe se dovodi u pitanje predviđena usklađujuća uloga nezavisnih članova odbora, kao i navodna privlačnost predloga za većinu radnika. Isto tako se dovodi u sumnju i ekonomska korist, za koju se tvrdi da će pratiti sprovođenje pomenutih predloga. Nedostatak jasno definisanog cilja u kompanijama koje bi se rekonstituisale na osnovu Bullockove većine, kao i odredbe kojim bi se obezbedilo učestvovanje radnika u ostatku dohotka i njihovog učešća u kontroli upravljanja, podupire mišljenje da je »većina« možda pokazala isuviše optimizma kako u pogledu izvodljivosti svojih predloga tako i u pogledu očekivanih koristi koje bi proizašle u oblasti industrijskih odnosa i ekonomske efikasnosti. Izveštaj »manjine« ocenjen je kao neefikasan; ukoliko bi i došlo do njegove realizacije, on verovatno ne bi doneo neke značajnije promene.

Zatim se razmatraju neke implikacije usvajanja predloga »većine«. U kompanijama u kojima bi se radnici odlučili da lansiraju ove predloge najzapaženiji institucionalni efekat bio bi u podsticanju komiteta radničkih poverenika i formiranju komiteta zajedničkih predstavnika (JRC), čime bi se na nivou kompanija popunila praznina u sadašnjoj strukturi kolektivnog pregovaranja. Posmatrano u jednom kratkoročnom periodu, ovo proširenje obima i dosega uticaja radnika u odlučivanju, preko predstavnika radnika u upravnim odborima i osniavanjem komiteta zajedničkih predstavnika, ojačalo bi postojeći mehanizam kolektivnog pregovaranja u kompanijama koje imaju više pogona. Međutim, dosta je nejasno kakve bi bile dugoročnije implikacije pomenutih događaja na nivou kompanija na sadašnje stanje kolektivnog pregovaranja. Dalje se tvrdi, da bi ovi predlozi verovatno uticali i na povećanje broja članstva u sindikalnim organizacijama (što bi posebno koristilo sindikatima službenika), te da bi delovali kao katalizatori na smanjenje broja sindikalnih unija putem fuzionisanja. Veruje se da bi istraživanja u brodogradilištu Harland and Wolf i novim radničkim kooperativama u Kirkby-u i Meriden-u doprinela rasvetljavanju i boljem razumevanju problema, sa kojima se mogu suočiti kompanije koje budu rekonstituisane na osnovu Bullockovog izveštaja većine.

U završnom delu ukratko se ocenjuju izgledi donošenja zakona u toj oblasti. U sadašnjim političkim okolnostima nema mnogo izgleda za radikalne promene putem donošenja zakona koji bi se zasnivali na izveštaju »većine«. Izvesne promene mogle bi da nastupe tek nakon nekoliko godina, a verovatno ne pre 1979. godine. Međutim, iako ne bude došao zakon koji se odnosi na privatni sektor, to ne isključuje mogućnost eksperimentisanja u odabranim nacionalizovanim industrijama, u kojima postoje radnik-direktor projekti koji u velikoj meri liče na predloge »većine«. U međuvremenu su u tom smislu usvojeni predlozi u PTT službi.

ISTORIJA SAMOUPRAVLJANJA HISTORY OF SELF-MANAGEMENT

FIRST ATTEMPTS TOWARDS THE INTRODUCTION OF A SELF-MANAGEMENT SYSTEM IN CZECHOSLOVAKIA

Jan OSERS*)

It is little-known that Czechoslovakia was the first European country to carry out self-management reforms. That was in the period 1945—1948.

The scope of the self-management system — both as accomplished and, more especially, as planned — was by no means inconsiderable. The events of February 1948, however, cut short those promising beginnings and forced Czechoslovakia to adopt the Soviet model.

1. PRE-EXISTING CONDITIONS

It was not fortuitous that self-management found fertile soil in Czechoslovakia; it was here, above all, that particularly favourable conditions were present:

— Czechoslovakia was one of the victor states of World War II; this meant that all foreign armies abandoned its territory soon after the conclusion of the war so that its sovereignty, though not complete, was relatively far-reaching.

— alongside Eastern Germany — which was then destroyed by the war — Czechoslovakia was the most highly-developed industrial country in Eastern Europe**) and therefore had the educated working class which is such an important prerequisite of successful self-management.

— unlike the other countries in its sphere, Czechoslovakia had a democratic parliamentary system until 1939 and, thanks chiefly to the influence of T.G. Masaryk, profound democratic traditions which likewise created a favourable atmosphere for further democratic development.

— unlike the other countries in the Soviet sphere, an agreement had been concluded, even before the end of the war, between Beneš's Czechoslovak government-in-exile in the West and the Communist emigré

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**) Czechoslovakia with a population of 14 million accounted for 1.6 per cent of the world's industrial production.