INDUSTRIAL DEMOCRACY IN BRITAIN: THEORY, PRACTICE AND LIMITATIONS

by

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ABSTRACT

The object of this dissertation is to argue a case for industrial democracy as a corollary to political democracy; to examine the historical development towards worker participation in the management of industry as conceived by the British Labour Movement, and to assess the capabilities and limitations of these achievements.

Chapter One provides an initial theoretical discussion on the problem of what industrial democracy may be taken to mean by examining the views of various theorists on the topic. The chapter also offers a set of defining characteristics of industrial democracy, in particular the separation of ownership from control and the sole right to participate in the control of industry as being derived from the function of labour.

Chapter Two charts the ascendancy of British Trade Unionism and the development of collective bargaining as the single mechanism of worker representation to the exclusion of strategies for industrial democracy. The tentative demands for some form of industrial democracy from the 1960's are explained in terms of worsening economic conditions, Britain's forthcoming entry into the E.E.C., and a radicalization of the Labour Movement. These factors, it is argued, provided the main stimulus for the Bullock inquiry on industrial democracy.

Chapter Three deals in some detail with the Royal Commission on Industrial Democracy, 1977. The main proposals put before the Committee are outlined together with the supporting evidence, and discussion is given to the Committee's rationale behind the proposals it eventually recommended. Reaction
to the publication is discussed with regard to the Labour Government, the Confederation of British Industry, the Trade Union Movement, the media and academics.

Chapter Four is concerned with the weaknesses of the Bullock Report and with the limitations on any future development of industrial democracy in Britain. Two "formative" Labour Governments (1929-31 and 1945-51) received particular attention and their inevitable failure is explained through a critical focus on Fabian ideology. It is argued that Fabianism has prevented a coherent and committed Labour Party policy on industrial democracy in the past and will continue to act against any possibility of future legislation on the subject. Similar treatment is given to the nature of trade unions whose insistence on the preservation of collective bargaining also works against the development of a unified labour demand for full industrial democracy.

The final concluding chapter offers some analysis of moves towards workers' control in other countries. It concludes, however, that while Fabianism and collective bargaining remain sacred cows of the British Labour Movement the potentiality for real industrial democracy in Britain remains weak.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>ii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>iv</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>v</td>
</tr>
<tr>
<td>CHAPTER ONE: Towards a Theory of Industrial Democracy</td>
<td>1</td>
</tr>
<tr>
<td>Footnotes</td>
<td>21</td>
</tr>
<tr>
<td>CHAPTER TWO: The Development of British Industrial Democracy: Preclude to Bullock</td>
<td>24</td>
</tr>
<tr>
<td>Footnotes</td>
<td>35</td>
</tr>
<tr>
<td>CHAPTER THREE: The Bullock Report</td>
<td>37</td>
</tr>
<tr>
<td>Post Bullock Reaction</td>
<td>47</td>
</tr>
<tr>
<td>Footnotes</td>
<td>54</td>
</tr>
<tr>
<td>CHAPTER FOUR: The Limitations of Industrial Democracy</td>
<td>56</td>
</tr>
<tr>
<td>Footnotes</td>
<td>84</td>
</tr>
<tr>
<td>CHAPTER FIVE: International Perspectives and General Conclusions</td>
<td>86</td>
</tr>
<tr>
<td>Footnotes</td>
<td>102</td>
</tr>
<tr>
<td>BIBLIOGRAPHY</td>
<td>104</td>
</tr>
<tr>
<td>APPENDIX A</td>
<td>108</td>
</tr>
<tr>
<td>APPENDIX B</td>
<td>110</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
</tr>
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<td>-----------</td>
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<tr>
<td>ACAS</td>
<td>Advisory Conciliation and Arbitration Service</td>
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<td>ASTMS</td>
<td>Association of Scientific, Technical and Managerial Staffs</td>
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<td>AUEW</td>
<td>Amalgamated Union of Engineering Workers</td>
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<td>BIN</td>
<td>British Institute of Management</td>
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<td>CBI</td>
<td>Confederation of British Industry</td>
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<td>EEC</td>
<td>European Economic Community</td>
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<td>EETPU</td>
<td>Electrical and Electronic Trades and Plumbers Union</td>
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<td>GMWU</td>
<td>General and Municipal Workers Union</td>
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<td>ICI</td>
<td>Imperial Chemicals Industries</td>
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<td>IDC</td>
<td>Industrial Democracy Commission</td>
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<td>ILP</td>
<td>Independent Labour Party</td>
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<td>IWC</td>
<td>Institute for Workers' Control</td>
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<td>JRC</td>
<td>Joint Representation Committee</td>
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<td>LRC</td>
<td>Labour Representation Committee</td>
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<td>NUM</td>
<td>National Union of Mineworkers</td>
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<td>SDF</td>
<td>Social Democratic Federation</td>
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<td>SDP</td>
<td>Social Democratic Party</td>
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<td>TGWU</td>
<td>Transport and General Workers' Union</td>
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<td>TUC</td>
<td>Trades Union Congress</td>
</tr>
</tbody>
</table>
CHAPTER ONE
Towards a Theory of Industrial Democracy

The term 'industrial democracy' implies a form of participation similar to that in the political sphere. In this respect, an accurate usage of the term would seem to indicate the ability of workers to change the 'government' of industry or at least to determine management decisions directly. However, in the array of literature on the subject one finds not so much a strict adherence to defining industrial democracy in a manner analogous to the representative nature of parliamentary democracy, as a collection of vague, ambiguous and often confusing generalizations. One dictionary of industrial relations defines industrial democracy as:

"An expression with a number of meanings and usages all concerned with the role and status of workers in industrial society and all implying, to a greater or lesser extent, the participation of those who work in industry in determining the conditions of their working lives." From this definition, it would appear that industrial democracy is to be all things to all men. It fails or refuses to recognize qualitative differences between different modes of interaction in industry between the representatives of capital and those of labour. And, in so doing, it provides such an all-embracing definition of industrial democracy that the most spurious facets of industrial relations are, by definition, given 'democratic' endorsement in their industrial application. For instance, one could apply the Marsh and Evans' definition to the industrial practice of communication and consultation. Here management communicates information, listens to the feedback and may then discuss the issues with labour. Often it takes place only after major decisions have been made by the management. The Marsh and Evans
definition therefore, is far too wide in its application to be of use in singling out exactly what the term industrial democracy may be taken to mean. Other writers however, do get nearer to the central characteristics of industrial democracy.

"Broadly, industrial democracy involves workers (normally through their unions) claiming rights to have a greater say over matters affecting their working lives. This involves the running of the country's economic and industrial affairs which in turn involves those who are in positions of authority handing over some of their powers to representatives of the workers." Any move in the direction of democratization of industry necessarily involves a transfer of power from the owners and representatives of capital to labour. Ownership is no longer a qualification for equality of participation in the institutions of modern parliamentary democracy. If the organization of modern British industry is ever to parallel the degree of democratization in modern British politics, the criteria for participation in the control of industrial organization must be based on the equality of each constituent member of the producing unit, rather than on the degree of ownership of production any individual might posses. This analogous situation to political democracy would then reflect the existence of democratic organization in industry. It is all too clear that such relations in British industry are not being pursued, nor seem likely to be. In the meantime, however, one can agree that at the very least "...industrial democracy should be defined primarily in terms of power sharing and not in terms of consultation, job involvement or profit sharing."6

One of the earliest writers to develop a theory of a fully democratic economy was Rousseau. His blueprint laid out in "The Social Contract" conceived of a society largely composed of self sufficient and independent.
peasant proprietors. Although Rousseau was writing before industrialization and modern democratic institutions his theory incorporated the basic functions of a participatory democracy. Each citizen would be approximately (not necessarily absolutely) economically equal. Only through such independent wealth, the individual possession of the means of production and close economic approximation to each other could individuals be assured of political equality. For Rousseau individuals can only assemble on equal and independent terms in a situation where "...no citizen shall be rich enough to buy another and none so poor as to be forced to sell himself." Here, each citizen would be powerless to do anything without the cooperation of all the others, or the majority. The ideal situation for decision-making was one where no organized groups were present, just individuals, because the former might be able to make their "particular wills" prevail; where "tacit associations" developed they should be as numerous and equal in political power as possible. Rousseau, therefore, forges a link between economic equality and independence, and political equality in his insistence that participation must be direct participation in the making of decisions.

J.S. Mill reinforces Rousseau's agreements about participation and lifts the notion of participatory democracy out of the context of a city-state of peasant proprietors into that of a modern political system in an industrialized society.

J.S. Mill viewed some form of industrial democracy in the organization with the same inevitability as he regarded political democracy. For Mill, just as participation in local politics educates the individual in social responsibility, participation in the management of an industrial organization
fosters and develops the qualities an individual needs for responsible office in industry. As to the particular type of industrial organization Mill envisages:

"...not that which can exist between a capitalist as chief, and work people without a voice in the management, but the association of the labourers themselves on terms of equality, collectively owning the capital with which they carry on their operations, and working under managers elected and removable by themselves."

Here Mill seems to point to a cooperative workshop system; one which is characterized by the workers "collectively owning the capital." In the nineteenth century such forms of producer or worker cooperation were typically small scale, independent from each other and, where successful, were self-sustaining solely by the activities of the members. The central point for Mill was that individuals learn how to govern themselves by active participation at local levels of government and industry. Moreover, this "learning by doing" provides an educative prerequisite for higher levels of self-management.

"We do not learn to read or write, to read or swim by being merely told how to do it, but by doing it; so it is only by practicing popular government on a limited scale that the people will ever learn how to exercise it on a larger scale."

In order to provide the opportunity for maximum participation in decision-making at the local factory level, the relations of production in industry would have to be transformed from those of superiority -- subordination to those of equality, with managers being elected by the whole body of employees, just as political representatives are elected at the local government level. A difficulty might exist in larger industrial enterprises where regional and national bodies would require a more representative make-up of worker interests than the more direct and intimate participation of workers at factory level. However, since lower level direct participation enables workers
to learn democracy as well as providing an integrative function, those workers who achieve positions in higher levels are more likely to have their decisions accepted by the majority on the shop floor. In short, effective participation aids the acceptance of decisions.\textsuperscript{12}

If J.S. Mill considered industrial democracy in the form of worker cooperatives as both inevitable and desirable, other political philosophers of the next generation did not. For Sidney and Beatrice Webb, democracies of producers were neither inevitable nor desirable. Indeed, "...these vocational democracies have hitherto failed, with almost complete uniformity, whenever they have themselves sought to own and organize the instruments of production."\textsuperscript{13} Moreover, where such enterprises were successful they ceased to be democracies of producers managing their own work and became profit oriented, often engaging wage labour from outside the association.

"The plain truth is that democracies of producers cannot be trusted with the ownership of the instruments of production in their own vocations. Hence, the self-governing workshop...necessarily producing for exchange, is perpetually tempted to make a profit on cost; that is to say, to retain for its own members whatever surplus value is embodied in the price for which it can dispose of its product."\textsuperscript{14}

Two related and undesirable conclusions emerge from the Webbs' critique of producer cooperatives. In so far as the democratic component of these associations is based upon the share capital contributed by individual members -- whether disproportionate or equal -- the policies and administration of these associations favour the development of a democracy of small capitalists. Secondly, the Webbs viewed the concept of democracy embodied in worker cooperatives as being too narrow and obsolete, labelling its organization as an "organ of revolt," to be of use in a "...completely democratized society... where democracy has acquired its meaning as an 'organ of government.'"\textsuperscript{15}
The implication here is that worker democracy as an "organ of revolt" against the power of capital was no longer relevant, but was in fact "obsolete."

Does this mean labour and capital are now on equal terms? It would seem so, since they consider their own epoch as being one where democracy is recognized as an "organ of government," where the intervention of a voting consumer-citizenry has assumed the position of arbitrator between capital and labour.

"Democracy nowadays means not a curb on an alien or an irresponsible government, but government by the electors themselves, exercised through those whom they designate for the purpose."16

The Webbs glorify electoral democracy in government but argue against its application to industry. They merely view the democracy of worker cooperatives as archaic, sectional and irresponsible of the interests of the wider society, that is, to the consumer-citizenry. They are thus able to conclude:

"It would not be 'government of the people by the people,' but government of the people, in each different aspect of its life, by a specialized and peculiarly 'interested' oligarchy. To us it seems that this would not be democracy, but the negation of democracy."17

One can sympathize with the Webbs' view that a workers cooperative producing for exchange and vested with ownership of the means of production would inherently tend toward conventional business methods, thereby undermining consumer sovereignty. But this does not make these cooperatives any more capitalist or socially irresponsible than their "private" competitors. At worst it might put them on par with capitalist production.

Nor is it acceptable that these democracies of producers constitute "the negation of democracy." The Webbs assert that democracies of producers, by virtue of their ownership of the means of production, would degenerate into self-interested democracies of small capitalists. Yet, in an outline of the
"proper functions" of the various interests in society, endorsement is explicitly given to the maintenance of capitalist enterprise. How the operation of the private sector in the Webbs' "completely democratized society" is congruent with that society is not made clear, when a producers cooperative, tending in the same capitalist direction, becomes the antithesis of democracy. What is clear however, is that capital and labour are consigned specific functions along with the consumer-citizenry, with the implicit understanding that each remains in its own sphere of influence.

"Thus it is for the consumers, acting either through capitalist entrepreneurs or their own salaried agents, to decide what shall be produced. It is for the directors of industry, whether profit-makers or officials, to decide how it shall be produced, though in this decision they must take into account the objections of the workers' representatives as to the effect on the conditions of employment. And, in settlement of these conditions, it is for the expert negotiators of the Trade Unions, controlled by the desires of their members, to state the terms under which each grade will sell its labour."18

From the above, it is clear that the role of labour in industry is to be confined to trade union activity and centred around collective bargaining.19

The considerable influence of the Webbs' political philosophy on the Fabian socialism of Britain's developing labour movement helped to underline the main adversary base of British industrial relations well into the second half of the twentieth century.20 Given this lasting impact the Webbs have had on the thinking of the British Labour Movement, there remains one final and important area where it could be argued they approached the issue of industrial democracy in a peculiarly myopic manner.

Of crucial importance to the Webbs' rejection of worker self-management is their critique of producer democracies and their inevitable transformation into "associations of capitalists" which results solely from the members
holding ownership of the means of production. However, industrial democracy need not at all be synonymous with workers owning the instruments of production. For industrial democracy to hold any meaning, it should be characterized by the equal participation in management and policy-making of all those actively engaged in the productive process of the enterprise, regardless of whether or not they own any portion of the share capital. Moreover, as was argued earlier, any move toward a full participatory system of industrial democracy involves at the outset a transfer of power from the present owners of capital into the hands of labour. But it need not necessarily involve the expropriation of private shareholders. It is the power which private shareholders possess, vested in their managerial representatives, which makes present relations of production undemocratic, not, per se, the passive ownership of capital. Indeed, one might agree with the Webbs that industrial democracy based on worker ownership might well constitute the "negation of democracy" provided that one also holds the view of private ownership being equally anti-democratic when left unchallenged as the sole right to manage. If the property qualification for political participation in government is no longer tenable in the Webbs' "completely democratized society," nor can it be valid in industry whether owned by the workers, private shareholders or by the state. By concentrating on worker cooperatives in their critique of industrial participation, the Webbs not merely excluded private ownership from their criticisms but failed to consider other forms of industrial democracy which centre on the democratization of power relations in the management and control of industry.

In contrast to the Webbs, G.D.H. Cole envisaged a system of industrial
democracy which distinguished between ownership and control. Despite the extension of the franchise to millions of people, this formal granting of self-government to the masses would perennially be stunted by their subordination in everyday occupations in the work place. Cole argued that "...the industrial system is in great measure the key to the paradox of political democracy. Why are the many nominally supreme but actually powerless? Largely because the circumstances of their lives do not accustom or fit them for power or responsibility. A servile system of industry inevitably reflects itself in political servility." Thus, it is pointless to assert the existence of a "completely democratized society" (Webbs) by reference to the acquisition of universal suffrage when the democratic potential of electoral government is continually subverted by the relations of subordination in industry. Full political democracy cannot exist without industrial democracy.

"It is now commonly recognized that political institutions ought to rest on a foundation of equal citizenship for all: I have steadily maintained that this requirement holds good no less for industrial institutions, and that until this principle is recognized and applied in practice our formally democratic political institutions will never work in a really satisfactory democratic manner."  

However, a democratic community could be achieved if citizens' rights, both as consumers and producers, were adequately represented. Since members of society have a variety of distinct interests and functions, each requires representation through separate institutions. For Cole, the existing parliamentary system and the Syndicalist ideal of workers' control of society are, therefore, unacceptable since both involve a monolithic structure of government which precludes functional representation. By contrast, a more balanced community recognizes the rights of both consumers and producers and
can only be secured if the State and Trade Unions take on the functions of control of their respective arenas.

"The proper sphere of the industrial organization is the control of production and of the producer's side of exchange....It has no claim to decide 'political' questions: for its right rests upon the fact that it stands for the producer, and that the producers ought to exercise direct control over production.

The proper sphere of the State in relation to industry is the expression of those common needs of consumers....It has no claim to decide producer's questions or to exercise direct control over production: for its right rests upon the fact that it stands for the consumers, and that the consumers ought to control the division of the national product...."24

How the model society was to develop fully out of the existing activity of the labour movement is rather less convincing than his argument for industrial democracy. Increasingly effective trade unionism would successfully confront established managerial prerogatives through a process of "encroaching control." Eventually, unions would insist on a collective contract forcing the employer to pay a lump sum for a specified amount of production which would be supervised by union appointed personnel. The capitalist, removed altogether from detailed management and financially squeezed by the unions, would turn to the State for nationalization compensation. Finally, the economic -- and by now administrative -- strength of the unions would confront the government and stimulate the transformation of the bureaucratic nature of nationalization into Guild Socialism.25

For our purposes, however, the value of Cole's Guild System lies in the notion of separation of ownership and control." The State should own the means of production: the Guild should control the work of production."26

But whereas for Cole ownership should be vested in the State, the idea of industrial democracy being developed in this chapter holds that participatory
democracy in industry within the rubric of British capitalist society is possible provided that ownership does not bear an implicit recognition of the right to control. Only participation in the productive enterprise confers the right to manage.

Leaving the early protagonists in the debate on industrial democracy, one finds in contemporary Britain those who are not so much concerned about the inevitability or desirability of democracy in industry as they are to convince us of its existence. In recent years, Hugh Clegg has offered a refutation of workers' self-management which has been embraced by the 'Manifesto Group' of the British Labour Party and by the majority of cabinet ministers in successive Labour governments. According to Clegg, one of the central principles of modern democracy is the existence of a political opposition. He argues this characteristic of democracy — as a Fabian might — in view of the authoritarian developments in those socialist countries which emerged after World War One, and suggests that most socialists in the West today recognize the need for an independent opposition capable of replacing an unpopular government, thereby providing a second principle of modern democracy — sole representation. The need for opposition is also implicit in trade union independence, and since the main task of trade unions is to limit the arbitrary power of industrial authority, trade unions must retain their autonomy. Thus, Clegg forges a link between political democracy and industrial organization. Indeed, "...in all stable democracies there is a system of industrial relations which can fairly be called the industrial parallel of political democracy." But where an opposition role is essential for providing a democratic bulwark against authoritarianism in politics,
it becomes irrelevant in industrial democracy.

"Trade unions may negotiate with managers and sign agreements with them, hold discussions with them and try to foster good relations with them, but they must not take this beyond the point where they can choose to act independently if they wish to, for at that point they have ceased to be able to limit and control management; they have become a part of management."

"...if the essence of democracy is opposition, then changes in management cannot be of primary importance to industrial democracy."³⁰

If an organized and recognized opposition in politics is synonymous with political democracy, its industrial parallel becomes evident in the organization of workers in trade unions, ergo industrial democracy. However, unlike a political democracy the trade union "opposition" in industry can never form a government. Moreover, management is not only permanently in office but is also self-recruiting and not accountable. It is not simply the industrial analogy which is invalid. Clegg's simple equation between a political opposition and a political democracy is fallacious,³¹ and provides democracy with an authoritarian face.

"The real parliamentary analogy for Clegg's argument is not the British Parliament but the Bismarkian Reichstag, where it mattered little what the opposition or majority claimed, since governments were responsible to the hereditary ruler (by company analogy, the hereditary shareholder.)"³²

Democracy is more accurately described in terms of the accountability of leadership to an electorate which has the power to remove that leadership. Opposition here serves the purpose of providing an alternate political management which is ready and able to replace the party in power.³³ "An opposition whose role is confined to protesting, making suggestions or criticizing, but which can never itself assume power is not an effective or a genuine opposition at all."³⁴ If Professor Clegg wants in industry a real
parallel to the national political system, the government (management) must be elected by, and be removable by, all the employees in the system.

The preceding pages have outlined the central points from a sample of the more prominent figures in the debate surrounding industrial democracy or workers self-management. In discussing and criticizing their arguments an attempt has been made to compare political democracy to workplace organization and to develop the theme that if political democracy is held to be a good thing, its application to industrial organization must equally be desirable. However, insofar as the term 'industrial democracy' implies or reflects the political organization of parliament, the latter might usefully be employed to gauge the development of democracy in industry. Just as political democracy has been a historical development in Britain -- and arguably still is -- from its origins in the eighteenth century, industrial democracy cannot be expected to blossom forth overnight into full maturity as a result of progressive legislation in parliament. Nevertheless, by the use of a model of democratic organization provided by parliament the development of industrial democracy, in both theory and practice, will stand to reject spurious claims as to the arrival of democracy in production. Having said this, it must be remembered that the form of industrial democracy contemplated here is specific to contemporary British industrial society and not to a future socialized society which may have abolished private property and the contradiction between capital and labour. Caoates stresses the point that the struggle for industrial democracy or workers' control may be taken to mean two distinct concepts. It may mean the organization of socialized industries and their administration. Or, it could mean a condition where
"...militant Trade Unions have been able to wrest some, or most, of the prerogatives of management from the unilateral disposition of managers."\textsuperscript{36}

But it would be misleading to use the same term for the two conditions because to do so would imply an unbroken continuity of democratic advance between the two. And, between the two, there must lie a point where property relations are socialized. In this event what would be under consideration would be not the democratic reform of capitalist society but the organization of a qualitatively different type of society. One may agree with Coates that "...it seems sensible for us to speak of 'workers control' to indicate the aggressive encroachment of Trade Unions on management powers in a capitalist framework, and of workers self-management to indicate attempts to administer a socialized economy democratically."\textsuperscript{37}

The debate surrounding the transition from capitalist to socialist society offers two main positions. The first suggests the development of a system of "dual power" within capitalist society as a necessary part of the transition to socialism.\textsuperscript{38} By a strategy of encroaching workers' control, trade unions would establish checks and controls over capitalist economic power. Militant action and organizational strength of workers' organizations would increasingly wrest from management various aspects of the productive process, and others would become subject to negotiation and union veto. Thus, an alternative organizational structure is built alongside capitalist relations from the factory floor upwards to the whole political economy.

As Barratt-Brown suggests:

"Dual power is not envisaged as a sort of condominium any more than socialism is to be seen as a change in power over a given (capitalist) state system. The task of the working class is to begin to build an alternative to capitalism even inside the womb of the old system."\textsuperscript{39}
Against the dual power thesis stands the classic revolutionary perspective which holds that socialism can only be secured via the violent overthrow of capitalism and the abolition of the capitalist state. In this respect the working class must be organized and led by a class conscious revolutionary vanguard party since workers, by their own efforts, are only capable of "trade union consciousness." This trade union consciousness and the institutional pressures on trade union leaders preclude an uncompromising battle for the control of industry. Moreover, even if unions were to transcend their normal functions of accommodation and compromise it would be unrealistic to expect British capitalists to allow themselves to be expropriated step by step. Instead they would use the state machinery to suppress the trade union challenge. The dual this also ignores the debilitating economic effects of opposition from foreign investment and international financial institutions on any reform strategy emanating from militant trade unionism and a revitalized Labour Party.

Hyman notes that the writings of the I.W.C. are devoid of a theoretical perspective on how to tackle the hegemony of the ruling class in its complex web of institutions and processes as well as the wider political and economic environment, as revolutionary socialism generally claims to offer. He may have a point. On the other hand so does Coates who insists that "...it is not at all true that socialist ideas which are appropriate to defeat late capitalism were all formulated intact fifty or a hundred years ago." Nor is it at all certain that revolutionary vanguardism is an appropriate response to the political economy of contemporary Britain. Leninist organization, whose ideal of a socialist state is characterized by democratic
centralism, would in reality produce arbitrary rule and widespread repression
rather than a convergence of working class interests and organizations, none
of which would have the power to suppress the others. 43

The point surely, is that industrial democracy must be historically
specific. As such, the way toward industrial democracy must be determined
by the political and industrial development of each country, and an adapta-
tion of strategy which fits the limits and possibilities of action. 44 In
this way the movement for workers' control and industrial democracy may be
seen as a bridge in the transformation from capitalist productive relations
to self-management in industry. Moreover, what is under consideration here
is not an accommodation of capitalist control nor an absorption into manage-
ment since workers and their unions are expected to remain independent of
management decisions based on management criteria. This is why genuine in-
dustrial democracy and the I.W.C. insist on 50:50 representation as a
minimum involvement on boards of directors. And this ratio of participation
would be quite acceptable as a more forward because it constitutes: veto
power over management as well the opportunity to present explicitly labour
oriented policy proposals for serious negotiation. These points are fully
developed in later chapters.

The distinction between workers' control and industrial democracy in
capitalist society is often a fine one. Workers' control usually reflects
the encroachment by labour on management authority and assuming for itself
the administration of certain management functions such as health and safety,
compensation, pensions, manpower planning and redundancies. Industrial
democracy, by its very nature, implies the widening of worker involvement
in these areas and more. The democratization of capitalist industry insists on a wider labour involvement in management in all policy formulation and decision-making areas which have direct repercussions on a firm's labour force. It does not represent an ideal type since it must, by necessity, operate within the parameters of capitalism. An ideal form of industrial democracy could only develop on the other side of a socialist transformation of society, as Coates insists. It should, however, possess certain theoretical characteristics which embody the maximum degree of worker control or democratization within the limits of the society in which it might operate. The following is not intended as a blueprint or model, but as a set of operating principles which would indicate the existence of full industrial democracy in Britain industrial relations.

Participation and control within industrial production derive from active participation. Thus, the right to participate is a function of labour, which embraces all employees of any particular enterprise. The decision-making process is characterized by political equality. Here the effective principle in the organizational process is one worker, one vote. This determines delegate positions to the various elected representative bodies.

Incomes are distributed according to one's contribution to work output. This is the principle of equitable distribution for labour of equal intensity and quality within a democratically agreed scheme of differential payments between job categories. Economic equality here consists not of the egalitarian distribution of incomes but of each individual's equal access to the means of production.

Although control derives from active participation in the enterprise,
ownership of capital assets would, for the most part, be divorced from the producers. Individual producers may hold shares in the enterprise but this element of producer ownership does not carry with it any rights to control above those rights to control by virtue of participation as a producer. If, as argued throughout this chapter, industrial democracy does not require worker ownership of the means of production as an integral component, but rather, demands democratic control over productive capital, there seems little reason to tempt the development of the Webb's great fear of producer democracies degenerating into "associations of capitalists." The principle of separation between ownership and control applies equally to shareholders.

Shareholders would have no rights of control over the enterprises in which they invest. Just as today where property ownership is not a qualifying condition of political participation, nor is it to be a right to participate in the control of the enterprise. Shareholders, however, will receive dividends. Dividends are to be considered the price for the use of others' money, and as such, would reflect the scarcity of capital, the interest on borrowing. The relationship between capital and labour would be that between lender and borrower.

Finally, producing units are autonomous from the state and from each other. Productive units are fully decentralized, and in their decision-making processes act freely without direct outside interference. National economic planning is through indirect policy instruments (e.g., indicative planning) and moral suasion, but never through direct government intervention. The only justifiable government intervention would be to combat monopolies. From this it follows that enterprises operate in direct competition with each
other and within the framework of the market.

These points are by no means an exhaustive list of requisite operating principles for industrial democracy but rather, they are meant to indicate the main areas where reform would be essential, and the character of such reforms. However, the sketch does indicate that a wide scope for democratic reform is conceivable within existing industry without necessarily transcending the parameters of capitalist society, since, as Coates insists, to posit a model of democratic reform which ends with the socialization of all economic relations is to confuse two very different types of society and to incorrectly assume a progressive evolution from one to the other. Therefore, our outline recognizes the limits of reform and accepts the maintenance of private shareholders with remunerative rights on invested capital. But at the same time, it strips shareholders of their traditional rights to control the management and organization of the means of production. Control of industry is thus separated from ownership and conferred upon the workforce which then decides on such matters as investment placing, dividends, wages etc.

Doubtless these reforms are open to criticism in their general construct as well as being open to charges of being either too radical or not far-reaching enough. For instance, it could be argued that the parameters of capitalism which might bear democratic reform of industry are here seen as being either too optimistic or too myopic in outlook. Despite such objections one may at least agree with Barratt-Brown that reform, "...can still be pressed for, and achieved, up to some limit which will only become clear to people in the process of pressing." The following chapter is an historical account
of the extent and nature of demands made by the British Labour Movement during the major part of this century for some form of industrial democracy, and the limitations it faced, often from self-imposed structural constraints.
CHAPTER ONE

FOOTNOTES


4. Marsh and Evans are not alone in using all-embracing definitions. See also, for example, P. Blumberg, Industrial Democracy, Constable, London, 1968, p. 70-71; D.V. Nightingale, "The Concept and Application of Employee Participation in Canada," The Labour Gazette, Vol. 77, No. 4, p. 162.

5. Elliot, Conflict or Cooperation? op. cit., p. 4.


8. Ibid., p. 34.


14. Ibid., p. 68.

15. Ibid., p. 69.

16. Ibid., p. 70.

17. Ibid., p. 71.

19. By which the Webbs meant trade union representation of workers' interests such as pay, contractual conditions of employment, and health and safety.


29. Ibid., p. 131.

30. Ibid., p. 28.

31. Paul Blumberg, *Industrial Democracy*, Constable, London, 1968, ch. 7 provides examples of the absence of any meaningful democracy where there existed an organized political opposition, e.g., Medieval England and up to the second Reform Act of 1867. He also indicates, as with contemporary Mexico, that the absence of an official opposition does not necessarily preclude meaningful political democracy.


34. Ibid., p. 145.

36. Ibid., p. 291.
37. Ibid., p. 293.

38. The concept of dual power is the latest position on a theme which goes back to G.D.H. Cole and Guild Socialism, discussed in earlier pages of this chapter. Proponents of dual power include Michael Barratt-Brown, From Labourism to Socialism, chs. III and VII, Ken Coates and Tony Topham, "Workers' Control and Revolutionary Theory," Socialist Register 1975, and much of the I.W.C. literature in recent years.


43. M. Barratt-Brown, From Labourism to Socialism, p. 227.

44. Thus, the idea of workers' control in this context is not a theoretical import but a notion indigenous to Britain; and the result of developments going back at least to Guild Socialism, and arguably to Chartism.

45. Some of the following characteristics were taken, modified and reformulated from: Radoslav Selucky, Marxism Socialism Freedom, MacMillan, 1979 and Jaroslav Vanek, The Participatory Economy, Cornell University Press, 1971.

CHAPTER TWO
The Development of British Industrial Democracy:
Prelude to Bullock

Ever since the Webb's classic statement on industrial democracy, collective bargaining between trade unions and employers has been accepted as the principal method of determining wages and other working conditions, and has stood largely unchallenged for the first sixty years of this century. The assimilation of trade unions into Fabian pluralism was further stimulated by legal encroachments upon unions' financial security, threatening their very existence. The celebrated Taff Vale case in 1901 opened trade union funds to confiscation by the law courts during strikes and other breaches of the employment contract. The unions rapidly became involved in the nascent Labour Party and worked to secure a legal framework which would provide satisfactory status for the movement. This drive for legitimacy and acceptance also meant that 'politics' was to be divorced from trade unionism, the former being confined by tradition to Parliament and other constitutional channels. Trade unions recognized in the Labour Party a parliamentary representative which could develop and protect trade union stability and financial security by legislation, while the Labour Party saw in the trade union movement a partner and source of financial aid by which it could pursue its reform of society. From the initial alliance of trade unions and the Labour Party, therefore, organizational linkage between industry and politics was seen as mutually advantageous but also mutually exclusive, each sovereign in its own sphere of influence.
This liberal consensus of free collective bargaining did not emerge without challenge. Revolutionary Syndicalism rejected both collective bargaining and parliamentary government. Syndicalists played a prominent part and exerted an influence beyond their numbers on ordinary rank and file union members, who judged collective bargaining by its results in their pay packets. When real wages fell, as they did from 1905 and especially after 1910, there was an increasing resort to industrial action by both organized and unorganized workers in which the syndicalists played a prominent part.

This industrial crisis, and more importantly the onset of World War One, produced in the industrial relations system what the Webbs called "a revolutionary transformation of the social and political standing of the official representation of the trade union world." This transformation was the official cooperation of labour in all levels of production, without which the war could not have been won. It entailed a ban on strikes, the introduction of compulsory arbitration, and the implementation of schemes of "dilution" where unskilled labour was utilized in craft job categories. But it also produced a powerful network of shop stewards as problems caused by war planning and job dilution increased. They became the de facto shop-floor spokesmen for the workers with or without official recognition from their union. After the war, recognition was granted to shop stewards committees to negotiate directly with management on shop-floor issues. Industry-wide bargaining was promoted by the Whitley Committee of 1917, which also recommended that within each industry joint councils, representative of employers and unions, be set up at various levels. World War One confirmed the legitimacy of trade unions as well as securing collective bargaining as 'established practice.' But
more than this, the co-opting of labour in the war effort stimulated the development of 'official' shop-floor union organization, where committees of shop stewards were able to confront management prerogatives from a semi-autonomous position viz. their national unions.

The inter-war period consolidated collective bargaining, but it did so at various levels of negotiation, not least important at the shop-floor level, where rank and file participation in the business of opposing arbitrary management decisions provided a valuable educative function in democratic worker organization. Although the influence of shop-floor organization subsided in the inter-war period, largely through prolonged high unemployment, the Second World War returned workplace bargaining to its earlier prominence. But, unlike the earlier period, shop stewards did not go into a decline when the war ended. The continuance of full employment enhanced the power of work groups, and bargaining between shop stewards and management developed on a scale previously unknown. Bargaining was not only over money, but was also concerned with managerial prerogatives such as discipline, redundancy and manning. From the mid-1950's, the number of stewards grew considerably, developing workplace power bases with their own institutional arrangements and expectations. From 1945, this power base at shop floor level, together with industry-level negotiations and the national relationship between the T.U.C. and the State, has made the British trade union movement one of the most powerful in the world. Yet despite this multi-level power, the British trade union movement has been largely reluctant to challenge managerial control of industry in any systematic and unified manner.

The main debates within the British labour movement on industrial democracy
go back to the 1930's with the issue of how Labour should run the industries it was later to nationalize. The arguments polarized between the Webbs' view of State control of basic industries and Guild Socialist demands for workers' representatives to fill the boards. As was outlined in Chapter One, the Guild view conceived of industrial-union guilds which would run the industry and negotiate on its behalf with the Government, who would finance it and represent the consumer and other public interests. These ideas eventually had very little practical influence on Labour Party policy. A 1944 Interim Report on Post-War Reconstruction by the T.U.C. and Labour Party executive was of the opinion that "...it does not seem by any means certain that it would be in the best interests of the work people of a nationalized industry to have, as directly representative of them, members of the controlling board who would be committed to its joint decisions...trade unions should maintain their complete independence." Their reasons for rejecting worker control were that trade unions must maintain complete independence to perform traditional functions of representing workers' interests; members of the governing body could not represent, simultaneously, interests of workers and those of the minister responsible; Parliament, representing the community, must have ultimate policy control through the minister. The form of nationalization which was to emerge in the late 1940's instituted a policy of appointing a nominal trade unionist to the board where he was intended as a contribution to knowledge and understanding of the employees' view. These trade unionists had also to give up their union posts, but this condition was waived where the trade union official sat on a board outside his own industry. After the first major round of nationalization of Coal, London Transport, Railways and the
Post Office, the T.U.C. General Council, at its 1949 annual conference, reaffirmed its position of 1944: "Consultation does not imply diffusion of authority, nor is direct workers' representation in management acceptable."

By the mid 1960's however, the T.U.C. position had done a complete about-turn. The shift in T.U.C. policy reflected worsening economic conditions of the period. Unions suffered from unilateral decisions by management on redundancies and closures which were consequences of a spate of mergers in the early 1960's. The subsequent nationalization of industry revealed the limited scope of traditional collective bargaining. It became increasingly clear to the T.U.C. that it was not enough to have control over wages when these were in part dependent on earlier decisions on investment and production -- decisions over which the unions had no control. In evidence to the Donovan Commission on Trade Unions and Employers Associations, 1966, the T.U.C. first showed the argument for greater participation in management as an extension of industrial democracy.

"The extent of this contribution has hitherto been limited by the nature of the master and servant relationship. Workpeople through their trade unions can play no responsible role in such circumstances as there is nothing that they can be responsible for. If all decisions affecting the running of an enterprise are made unilaterally by the employer there can be no basis for mutual respect."

In 1966 the T.U.C. objective was to persuade companies of the positive contribution trade unions could make to management. It did not ask for legislation to provide a statutory right to introduce worker directors. Instead, it called for legislation that would "allow companies to make provision for trade union representatives on the board of directors." This was rejected by the commission on grounds identical to those in the 1944 Report on Post War Reconstruction, and which were to be repeated again a decade after Donovan in...
the Bullock debate. Efficiency in decision-making would suffer, the worker-director would increasingly become alienated from the workers, and these worker-directors would inevitably experience "intolerable strain when decisions unfavourable to workers had to be taken because they were in the interests of the company as a whole." A Labour Party report on Industrial Democracy in the same year joined the chorus acknowledging the concept of worker directors throughout industry but only as a distant possibility.

"The question of worker representatives 'on the board' in the private sector gives rise to a number of difficult problems and we cannot see it as a suitable starting point for an extension of industrial democracy. We think it likely to arise in the main after the further extension of the scope of collective bargaining and of statutory protection."14

The issue of industrial democracy lay dormant in the labour movement until the early 1970's. The years in opposition for the Labour Party, between 1970 and 1974, saw a shift to the left in language and programme on a scale unprecedented since the 1930's. David Coates suggests this revitalization of labour was not so much the rhetoric of opposition as the emergence of new leaders in both the party and in the T.U.C.15 This new radicalism was characterized by a series of agreements between the party leadership and the T.U.C. The result of this T.U.C.--Labour Party Liaison Committee was a "Statement on Economic Policy and the Cost of Living," published early in 1973 and embodying a set of arrangements which came to be known as the "Social Contract." For the Labour Party, the social contract held the key to national recovery in a future Labour Government, and would hinge on trade union cooperation and a voluntary incomes policy. In return, the T.U.C. sought further statutory protection for trade unions and the repeal of Conservative anti-union legislation, notably the 1971 Industrial Relations Act. Of interest to the
development of the debate on industrial democracy, Point 8 of the statement promised "the extension of industrial democracy, by bringing investment and closure policy into the scope of collective bargaining." Collective bargaining remained at this time the official credo of worker participation though its field of negotiation was expanded to include a measure of influences over those areas which had weakened the unions a decade earlier. The left of the party were less moderate. At the 1973 annual party conference, Tony Benn announced:

"We reject as a party and a movement the idea that one worker on the board is industrial democracy; we reject co-ownership; we reject the phoney works councils not rooted in the strength and structure and tradition of the Trade Union Movement. We will not accept the existing pattern of nationalization as the form for the future." 17

Others on the right of the party were equally interested in the renewed debate on industrial democracy, but for very different reasons. At the beginning of 1973, Britain had formally entered the European Economic Community. It was felt that unless the Labour Party moved quickly to map out its own indigenous system of industrial democracy the next Labour Government would be swamped with alien policies and with opposition to them by the T.U.C., thus threatening the social contract. The situation was made more urgent by the E.E.C.'s Council of Ministers meeting in 1973 on the harmonization of company law plans for two-tier boards and worker directors. The E.E.C. position on industrial democracy closely followed the German model where worker directors, not based on trade unions, held only one-third of the seats (except in coal and steel where the split was 50-50) on a relatively weak supervisory board in a two-tier board structure. Jack Jones, leader of the largest union in Britain, the T.G.W.U. (transport workers), and passionate advocate of workers
in top management positions, seized the opportunity to present a T.U.C. position on industrial democracy which was more radical and trade union based than anything in continental Europe. The result was a T.U.C. policy statement on industrial democracy in 1974. This report proposed legislation for a new companies act, reform of the nationalized industries and the release of information from the private sector. The New Companies Act would affect enterprises employing more than two thousand workers, and later, those employing over two hundred workers. "...such companies would have a two-tier board structure with Supervisory Boards, responsible for determining company objectives, which would appoint Management Boards."\(^{18}\) One half of the Supervisory Board should be elected through trade union machinery. Such provisions should become operative "...only when there is trade union recognition, and representation of workers could only be through bona fide trade unions choosing to exercise this right."\(^{19}\) The report insisted on 50% direct trade union representation on the policy-making boards of nationalized industries. The demand for disclosure of information embraced such areas as revenues and costs, planning and operations, production and marketing, and manpower deployment.\(^{20}\) It is noteworthy that the T.U.C. did not see its demand for worker directors as undermining traditional negotiating methods. On the contrary, participation in the highest echelons of management would complement collective bargaining.

"Such forms of control would in most cases be an adjunct to the collective bargaining process: in a limited number of important cases such involvement could be vital."\(^{21}\)

Therefore:

"Unions should continue to press for joint control over non-wage areas and work organizations through the extension of collective bargaining; as part of the approach to extending industrial democracy, this is indispensable."\(^{22}\)
However, this did not appease many right-wing unions who favoured collective bargaining against any form of participation which might compromise trade union independence. The most important of these unions were: the G.M.W.U. (Municipal Workers), the A.U.E.W. (Engineers), and the E.E.T.U. -- P.T.U. (Electricians and Plumbers) who expressed considerable reservations.23

During this period, the Conservative Government (1970-1974) was torn between a desire to find itself a policy that would not boost trade union power (since its first two years in office were spent dismantling trade union rights) and one which would have to fit in with the E.E.C. The Conservative Government had still failed to come to terms with the problem by the time it was thrown from office in the wake of a national miners' strike early in 1974. The developments surrounding the issue of industrial democracy in the early seventies accelerated the pace of the argument more than anything in the combined decades since the First World War. And, although the efficiency of Brussels was vastly overrated in the urgency to construct a policy on industrial democracy at home, one may agree with Elliot that "Britain's membership of the Common Market had turned what had been really only an issue of debate among a select group of Labour Party activists into a positive T.U.C. policy."24

In 1974 there were two general elections in Britain.25 In October of that year the new Labour government promised concrete action with a manifesto promise to "...introduce new legislation to help forward (our) plans for a radical extension of industrial democracy in both public and private sectors."26 However, after the October election, a gradual shift in emphasis of government policy developed away from intervention and control towards economic
growth by exhortion and reassurance of the private sector. Steadily, industrial democracy imperatives gave way to senior management protest. The social contract was proving to be one-sided with trade unions limiting wage demands in the face of rising inflation and unemployment, declining standards of living and contracting economic growth. The optimism surrounding the social contract in the opposition years turned to pessimism when the economic crisis lay beyond the control of the Labour Government and T.U.C. acting together. "The Labour Government defined its problems not as a national consequence of an international crisis, but as a set of national economic difficulties intensified by world recession -- and that difference of definition is crucial." This, Coates argues, is the main reason why the Labour Government after 1974 increasingly held little control over events, and explains the dilution of the 1973 radical programme. From the mid-1970's, the Labour Government increasingly distanced itself from industrial democracy legislation in its efforts to placate private enterprise. Also, the slim majority of the October 1974 election was erased by the flight of a group of left-wing M.P.'s to the Scottish Nationalist Party. In order to continue in office, the Government entered into an agreement with the Liberal Party in Parliament. This so-called 'Lib-Lab Pact' effectively precluded any radical legislation in industrial democracy. At the same time, the T.U.C., suffering under pressure from its member unions who were protesting against voluntary wage restraint, became increasingly impatient for government action to formulate a satisfactory Bill on industrial democracy. A compromise was reached late in 1975 by a private members Bill, moved by Giles Radice, establishing a Royal Commission to investigate the most suitable system of industrial democracy for British
industry. This was the unfavourable background to the Bullock Commission.

With a long history of collective bargaining as the prime mechanism underpinning relations between capital and labour, the trade union movement found itself presented with the possibility of direct participation in higher management on a scale which confirmed the insignificance of nominal trade union directors in the nationalized industries. The reluctance of several major trade unions to endorse the Jack Jones' campaign for higher level participation reflected the strength of support in the trade union movement for the maintenance of collective bargaining negotiations as the main form of worker representation, and cast doubt on T.U.C. unity in any future struggle to achieve extensive managerial representation. The situation was not helped by a vacillating Labour Government whose successful management of the economy increasingly depended more on the support of private industry than on trade union compliance. The far-reaching legislation which would be necessary to implement real industrial democracy, whose major characteristics were outlined at the end of Chapter One, would at least need the commitment of a strong, sympathetic government as defence against conservative reaction from industry, the media and from opposition in parliament. The Labour Government of 1974 was neither strong nor sympathetic, and its commitment to industrial democracy rested more on an outstanding debt to the social contract than it did to thorough-going reform of the industrial relations system.


4. Ibid.


12. Ibid.

13. Ibid., p. 207.


16. Ibid., p. 4.

17. Ibid., pp. 133-134.


19. Ibid.


22. Ibid., par. 66, p. 27.

23. Radice, *Industrial Democrats*, p. 120.


25. The election of February was a stalemate (Labour 301 seats) but Harold Wilson formed a government and made the Social Contract with trade unions. In a second close election in October 1974 Labour increased its representation to 319 seats.


CHAPTER THREE
The Bullock Report

In the compromise that produced the Bullock Commission, the T.U.C., with the dogged determination of Jack Jones, managed to salvaged favourable terms of reference by which the committee would conduct its investigation. The Rt. Hon. Peter Shore, M.P. formally launched the Bullock Commission in the House of Commons on 5 August 1975. Mr. Shore informed parliament of "the need for a radical extension of industrial democracy in the control of companies by means of representation on boards of directors..." and reaffirmed his government's commitment to organized labour by instructing the commission to take "into account in particular, the proposals of the Trades Union Congress report on industrial democracy as well experiences in Britain, the E.E.C., and other countries." After almost a year and a half of deliberation, the Bullock Committee published its findings in January 1977.

After an introductory chapter, and a following one concerned with a statistical breakdown of employment, ownership and trade union membership in Britain, the report unfolds the debate on industrial democracy in Chapter Three. Reference is made to the Webbs' "Industrial Democracy" and its contribution to Britain's evolving industrial relations system by elaborating the concept of collective bargaining. However, structural changes in the economy and in the nature of society since 1945 have increased the need for greater participation in decision-making. Industrial power is increasingly being held in fewer hands. In 1953, the top one hundred firms accounted for twenty-five percent of the total net output; by 1971 this share had risen to forty percent.
And since shareholders tend not to exercise their decision-making power nor to appoint directors, boards of directors have not only assumed de facto control over their enterprises but also enjoy a power base which is self-recruiting. At the same time the trade union movement has increased in strength, consolidated its organization and has been increasingly involved in government economic strategy. The concentration of ownership, together with changes in technology, has made it imperative for trade unions to press for active involvement in company decisions which closely affect the lives and future of thousands of employees. Trade union involvement, the report explains, is fundamental to national economic objectives, "...not simply because such involvement is necessary to forestall negative resistance to change, but also because employees through their trade unions have a positive role to play in combating industrial stagnation and in stimulating much needed changes in industrial structure and performance." Indeed, the influence of trade unions on the economy was already evident by the implementation of the Social Contract through which the T.U.C. had accepted its share of responsibility in the joint regulation of the economy. Also, at the local level the growth of the shop steward system had strengthened shop-floor organization. And, backed by legislation of the early 1970's (Employment Protection Act 1975, Health and Safety at Work Act 1974) the extension of collective bargaining into specific areas beyond wage negotiations at the shop-floor level was given legal recognition. Therefore, the report agreed, "the basis for a legislative framework designed to encourage extensions of industrial democracy at shop-floor level already exists." However, the development of participation at national and local level has left a gap at company level, which, the T.U.C. argues, can
only be filled by employee representation on the company level.

"Major decisions on investment, location, closures, takeovers and mergers, and product specialization of the organization are generally taken at levels where collective bargaining does not take place, and indeed are subject matter not readily covered by collective bargaining. New forms of control are needed."6

On the one hand, local and plant bargaining do not affect planning and investment decisions, and on the other, national agreements are not concerned with the management decisions of individual firms. The need for an examination of how workers' representatives could exert a degree of control over company level decision-making by the use of worker directors and the arguments against such proposals constitutes the main thrust of the remainder of the Bullock Report.

The three main proposals put before the Committee came from the T.U.C., E.E.C. policy and from the C.B.I. In its evidence to the Bullock inquiry, the T.U.C. arguments remained largely those of the 1974 statement, "Industrial Democracy," which has already been outlined in Chapter Two. In its supplementary evidence to Bullock, the T.U.C. reiterated its central demand that it was "...unrealistic to expect equal responsibility without equal representation. Nothing could be more damaging than having to accept responsibility if the shareholder representatives had an entrenched majority. Only with a system of parity representation can trade union representatives be expected to feel any sense of collective responsibility for board decisions."7

Representation and selection were to be through trade union machinery, and worker directors would be free to report back to their unions. The only modification of the 1974 position was the adoption of a reconstituted form of the unitary board of directors rather than a two-tier structure with trade
union representation on the top policy-making board.

The second proposal was from an E.E.C. Commission Green Paper in 1975, with proposals for a European Company Statute which would permit the creation of "European Companies." These companies would have to meet certain requirements regarding employee participation, and the British Government, with or without the Bullock Report, would eventually find itself involved in the debate. The main proposals in Draft Statute were: a two-tier system with a management board appointed and monitored by a supervisory board; the supervisory board would consist of one-third shareholder representatives, one-third employee representatives and one-third co-opted by the other two groups; election of employee representatives by all employees, whether trade union members or not. 9

The third proposal, from the C.B.I., rejected any compulsory form of worker representation on the board. Instead, the employers' organization preferred flexibility in developing alternative forms of participation, with each company free to devise for itself, in conjunction with the relevant trade unions, the most suitable form of worker participation. However, the C.B.I. conceded that some legislation might be desirable in the larger firms where voluntary agreement on the form of participation could not be reached. Thus, companies with more than two thousand employees would be obliged to conclude "participation agreements" within a four year period, to be validated by a vote of the majority of employees. After this period, failure to reach agreement would result in the legal imposition of a participation scheme by an independent outside agency. Worker directors are excluded, however, from the range of options which could form part of an arbitrator's agreement. Should
any company enter into a voluntary agreement with trade unions on worker directors they should not number more than one-third of the board, and must be elected by secret ballot.\textsuperscript{10}

Of the three proposals, clearly the most radical was the T.U.C.'s advocacy of trade union parity of representation on boards of directors with shareholders utilizing trade union machinery as the sole channel of employee representation. The E.E.C. Commission conceived of a system of minority employee representation on company boards which would be detailed in a legal framework of industrial relations. And the C.B.I. wanted nothing to do with either worker directors or any clearly defined legislation on worker participation, preferring instead an amorphous obligation on both parties in industry to reach an accord within a given period.

The C.B.I. proposal on employee participation was a non-starter, and could not warrant serious consideration by those members of the committee who felt bound by the terms of reference, which were quite explicit, handed down by the Ministry of Trade and Industry. (see page 37) Indeed, as the report emphasizes:

"The extension of industrial democracy, to which our terms of reference refer, can only be achieved in our view if there is direct representation of employees on company boards in just the same way as there is direct representation of shareholders on boards at present."\textsuperscript{11}

At the very least then, some scheme which would facilitate worker representation on company boards would be central to the committee's recommendations. Having established the imperative of worker directors, the report outlines three main options: unequal representation with shareholder representatives retaining a majority of seats; 50:50 representation; and minority but equal representation of shareholders and employees which would involve a third
group of directors on the board. The first option is practiced in West Germany and Sweden in the form of one-third employee representation, with shareholder representation remaining dominant. The report's treatment of the European experience is in part sympathetic, though largely critical of its shortcomings. Unequal representation can be beneficial in that it may provide valuable employee insight into the determination of company policy and generally help demystify the board's proceedings. Also, the fact of employee presence on the board, albeit in minority representation, makes management more attentive to workers' interests in both its executive function and in its policy formulation. However, the report seriously questions the efficacy of minority employee representation:

"It is not simply that if shareholder representatives are in the majority they can decide the extent to which they wish to ignore, take note of, or act upon the views expressed by employee representatives. They can also devised and control the framework of policy-making: the appointment of senior management; delegation of authority to management; the procedures of the board and the arrangements for provision of information to board members."13

In both West Germany and Sweden, the committee found that where employee representatives were in a minority they had little influence over senior appointments, were usually outvoted by shareholder representatives and had little influence over the decision-making process.14 The main reason for this is that with minority representation there is no effective transfer of power from shareholders towards workers, and workers' representatives are thus in a relatively powerless situation. And yet, the advocates of minority representation insist that worker directors bear full and equal responsibility for board decisions. For Bullock, this was unacceptable. "In our view it is unreasonable to expect employee representatives to accept equal responsibility
unless, through equal representation on the board, they are able to have equal
influence on the decision-making process."\(^{15}\)

Consequently, the report came out in favour of equal representation on
the board between employees and shareholders, but did not produce a recommenda-
dtion favouring the full parity option of 50:50 representation. The report
cited the Biedenkopf Commission which found in the German coal, iron and steel
industries a tendency for employee and shareholder representatives (organized
on boards of 50:50 representation) to act as distinct groups, to remain mutually
exclusive of each other and to vote as independent blocks. The report
argued that block voting is not an inevitable consequence of equal represen-
tation "...since within each group of employee and shareholder representatives
there will be a considerable range of opinion."\(^{16}\) However, where the tendency
of block voting does develop, the co-optation of a third group of directors
would significantly reduce its divisive effects. This "neutral" third group
would be co-opted with the agreement of the employee and shareholder representatives and should comprise an uneven number greater than one, but form less
than one-third of the total board. The employees and shareholders would be
equally represented by dividing the remaining board seats. This format, the
report asserts, "...will mean that either group will at the very least need
to gain the support of a majority of the directors co-opted by both groups be-
fore they can carry or veto a proposal."\(^{17}\) The report called its formula for
board composition \(2X + Y\), where \(X\) represents the number of employee representa-
tives and also represents the number of shareholder representatives, and \(Y\)
is the number of co-opted directors.

Another important recommendation of the report called for single channel
representation of worker interests on the board through trade union machinery. The report dismissed proposals for employee representation and selection based on employers' consultative committees and other non-union bodies. These non-union bodies ignore the growth of shop steward organization and the vital contribution of the shop stewards' committee as a repository of shop-floor expertise, as a communication network providing a trusted means of keeping the employee representative in touch with his constituents, and as having the independent strength necessary to support the employee representative. Moreover, worker directors based on trade union machinery would help ensure that board level representation would not conflict with collective bargaining. Consequently, non-union employees would have the opportunity to express their opinion on worker directors by an initial ballot of all employees in a company if the demand for such a vote were expressed by recognized trade unions representing at least twenty percent of all the workers. If a secret ballot of the workers produced a simple majority in favour (equal to one-third of the work force), this so-called "triggering mechanism" would implement the scheme. The initial ballot is designed to prevent a situation "...whereby a trade union representing a minority can force the majority, whether unionized or not, to accept board level representation against its will." Other than this, the proposals do not make any special provisions for non-unionized employees. A favourable ballot result would be followed by the setting up of a Joint Representation Committee (J.R.C.) of shop stewards and other representatives of the trade unions involved. The unions via the J.R.C. would devise whatever method of selection which would seem most appropriate to their enterprise. Just as shareholders hold the responsibility for their directors, the only
legal criteria for selection of worker directors would be to place overall responsibility on the recognized trade unions involved in the scheme. Any disputes arising from the "triggering" ballot or administration of the scheme would be referred to an independent agency, the Industrial Democracy Commission.

These are the more central proposals of the main report of the Bullock Committee of inquiry and are restated separately and succinctly, together with its remaining recommendations and those of the minority report, in Appendix A. The conclusion to the majority report reiterates the imperative of industrial democracy."...by putting the relationship between capital and labour on to a new basis which will involve not just management but the whole workforce in sharing responsibility for the success and profitability of the enterprise." And the final paragraph added a touch of historical legitimacy to the report's recommendations.

"The fears expressed in the nineteenth century in the face of proposals to give more people the right to vote did not stop short of the subversion of the constitution and the dissolution of society. Once the franchise was extended, however, the fears were forgotten and the Reform Acts were seen as essential to the country's stability and prosperity. We believe that over one hundred years later an extension of industrial democracy can produce comparable benefits and that our descendants will look back with as much surprise to the controversy which surrounded it as we do to that which surrounded the extension of the political suffrage in the nineteenth century."21

One of the committee members and a signatory of the majority report issued a note of dissent.22 Mr. N.S. Wilson agreed with Bullock concerning the single-tier board, and he also firmly backed the justification of worker directors based on their trade unions. He differed on the composition of the reconstituted board of directors and in particular on the T.U.C. view that equal responsibility necessitates equal representation on company boards.
"What is meant by 'equality of responsibility' is that each member of the board has identical duties and, since all directors would, if the majority's proposals are adopted, be obliged to have regard to the interests of employees, there is neither inconsistency nor contradiction in proposing minority representation whilst expecting all directors to have identical responsibilities."

Wilson proposed -- instead of the $2X + Y$ formula -- a scheme which would produce worker directors directly in proportion to the number of employees in any company. However, the number of employee representatives should always be less than the number of shareholder representatives whose numbers would evidently be decided by the discretion of the shareholders.

The minority report 24. (signed by the three industrialists on the committee) opened with the complaint that the committee was required to consider how an extension of industrial democracy via worker directors could be achieved rather than to consider whether such an extension should be pursued. The industrialists held the view "that those who work in industry are not ready for the radical changes which the majority report aims to achieve." And that, "certainly it is unwise to impose 'democracy' on those who are unwilling or unready to receive it." However, the minority report would make its own recommendations "...if the Government is determined, in spite of the difficulties and dangers, to introduce new laws on the basis of the remit which we have been given."

The minority report proposed that the law should be changed to force directors to consider the interests of both shareholders and employees. There should be a statutory requirement to set up company participation councils below board level within four years. After such a council had been operating for three years in a company, the employees would have the legal right to vote for a worker director system -- seven years from the start of
the process. The system would involve not just union members but all employees
who would be represented by one-third of the seats on the top supervisory level
of a two-tier board structure in holding companies. Financial institutions
and subsidiaries of foreign companies should be exempt.

These were the proposals put forward by the industrialists, with the
objective of designing a system of worker directors that would give the least
possible power over management decisions to employees. The recommendations
were given out of reluctance, but in a political climate which indicated the
likelihood of some form of industrial democracy legislation from the perceived
pressures from Europe and the T.U.C. on the Labour Government.

Post Bullock Reaction

The publication of the Bullock Report was met by an immediate and
vitriolic condemnation by Britain's industrialists. It was received with
some embarrassment by government ministers, but tied to the Report's prin­
ciples by Labour's 1974 general election manifesto who found it difficult to
applaud the Report whilst relying on further cooperation from private industry
in the economic crisis. It was accepted with reluctance and suspicion by
much of the trade union movement as a scheme which would likely involve
changes in role and behaviour incongruous to the traditional adversary system.
In view of this reluctant endorsement by trade unions, the T.U.C. chose to
remain silent in the ensuing debate and preferred instead to attempt privately
to persuade the various uncertain unions to fully accept Bullock before their
annual conference and to campaign for its implementation thereafter.

Moreover, the T.U.C. itself was severely criticized by its own suppor­
ters, other Labour activists and independent socialist organizations. The
Institute for Workers Control had been favourable to the Bullock Commission and trade union involvement in the supervision of large firms, sharing the T.U.C. position of 1974 which called for a two-tier system of boards. The I.W.C. recognized in 1974 an advance towards workers control by worker representation on supervisory boards possessing veto power over management boards. The strategy of encroaching workers control over management decision-making, while remaining independent of direct involvement in management, would therefore be advanced. However, the shift in T.U.C. policy away from the endorsement of a supervisory board system to the advocacy of the unitary board might compromise trade unions from their positions of countervailing power. As a result, the distinction between the functions of workers directors and shareholder directors would become blurred, and from the I.W.C. position this might produce collaboration with management rather than veto power by workers representatives.

"Much of the tenor of I.W.C. arguments has been directed to establishing that distinction, and to arguing that in a transitional situation, the workers' control objective is precisely to establish supervisory powers. The question remains whether worker representatives, when they assume seats on unitary boards, can successfully establish that distinction, and insist on the supervisory role of the new board..."

Coates and Topham specifically criticize the Report in its recommendations for the reconstitution of the board. The Bullock Report, in accordance with T.U.C. policy, proposes parity representation of directors but with the additional Y element of neutral or independent voters to act as a balancing middle group between the representatives of shareholders and workers. This Y group, argue Coates and Topham, would inherently tend to support the shareholder directors since they would be composed of individuals with special management skills and long experience in other outside businesses. The Bullock Report
specifically lists the likely categories of so-called neutral directors: "...of the best among those who are at present non-executive directors; of senior personnel from other companies with a particular interest in or connection with the business of the company; of people with special expertise like solicitors, bankers, accountants and so on..."\(^{28}\) From this statement, one can agree with the conclusion of Coates and Topham that, "...this would mean the composition of all boards would not be \(2X + Y\), but \(X + Y\) over \(X\) (shareholder representatives) + \(Y\) over \(X\) (workers representatives), or \(X + Y\)."\(^{29}\)

The Labour M.P. Neil Kinnock has made the same point, and in addition suggested that the implementation of the Bullock proposals would produce irreconcilable disagreement between the shareholder representatives and the trade union-nominated worker directors on the selection of the \(Y\) element. Anticipating such a situation, Bullock proposed an Industrial Democracy Commission to act as conciliator and in the last resort make a binding nomination on \(Y\). However, far from being a last resort, the interjection of the I.D.C. would become the norm in reconstituting boards of directors. It would not constitute industrial democracy but "...government by a permanent gerrymandered non-employee majority."\(^{30}\)

Of the various T.U.C. affiliated private sector trade unions, few of the more powerful held much enthusiasm for the Bullock concept and even fewer had enough interest to be prepared to campaign for the implementation of the report -- the obvious exception being Jack Jones' T.G.W.U. An indication of what was to come was given during the Bullock investigation by the electricians' union, E.E.T.P.U., which concluded in its evidence to the committee that "...management's job is to manage, while trade unions exist to consider, contest
and oppose, if necessary, the exercise of managerial prerogatives." Other conservative unions opposed to the Bullock concept of worker directors on the grounds that this would undermine or confuse traditional collective bargaining relationships were excluded by the committee from giving evidence. The Economist of February 12, 1977, names the A.U.E.W. and the G.M.W.U. as the most powerful of those prevented from the official hearings. In the general debate following the publication of the report, David Basnett of the G.M.W.U. wrote:

"The Bullock Committee recommendations, for workers on the boards of companies employing over two thousand, do nothing for those workers and trade unions who are in favour of greater participation in strategic planning, but do not want worker directors." Other unions on the left rejected Bullock for very different reasons. On the one hand, militant unions rejected any involvement whatsoever with management arguing the I.W.C. line on encroaching workers control, and on the other, it was argued that anything less than a direct 50:50 split in allocation of directorships would merely perpetuate the existing power relations in industry. This view was held by the left wing A.S.T.M.S. whose leader Clive Jenkins was one of the signatories of the Bullock Report. Jenkins' position, however, did not prevent his union rejecting the Bullock proposals at its annual conference in the summer of 1977. In general terms, private sector unions fell into one of three categories. They were either ideologically opposed to the ideas of Bullock on political grounds; opposed in principle on grounds of blurring the traditional lines of conflict; or, like most, were simply unwilling to face the challenges of Bullock-style legislation at a time when economic
problems would make many boardroom decisions unpalatable to workers.  

Industrialists and manufacturers, represented by C.B.I. policy, totally dismissed the whole of the Bullock Majority Report proposals. By early February, 1977, the C.B.I. refused formally even to discuss with the government the three central issues of the report: imposition by law of trade union nominated directors; parity of representation between shareholder representatives and worker directors; and the monopoly given to trade unions to choose worker directors. The C.B.I. even threatened that its members might not be willing to cooperate actively with the government's industrial strategy if there were unfavourable legislation. And the American Chamber of Commerce in London publicly warned that American companies would have to review their investment in Britain should the Bullock Report become reality.

The C.B.I. campaign enjoyed the full support of the Conservative Party, whose opposition front bench spokesman on industry, Peter Walker, argued at length about the need to democratize the trade unions before contemplating their accession to higher management. The national press largely supported the C.B.I. campaign, and although most were not wholly against the concept of worker directors, the majority reported the pre-eminent position given to trade unions in the report with unveiled opposition to what was regarded as anti-democratic manoeuvres for power by a minority in industry. As a leading article in the 'Economist' concluded: "Leaving the choice of who should have the boardroom seats to cliques of shop stewards -- the way Conservative leaders used to emerge from the magic circle of Tory grandees -- is the worst proposal of the whole report." Moreover, the public were entreated to the employers' side by the sombre warnings of leading industrialists. Sir John Methuen,
director-general of the C.B.I. (and one time Bullock member), predicted a return to "industrial trench warfare," and the Chairman of I.C.I. feared "... the end of democracy as we know it," while the Employers Federation warned that Bullock would be implemented over its "...dead body."  

On the day of publication of the Bullock Report, Edmund Dell, Secretary of State for Trade, delivered a Government statement which concluded:

"The Government's aim is to see democracy extended from our political to our industrial life. That is an essential ingredient of the social contract. Just as political democracy has been accepted by all our people, so we believe industrial democracy -- at all levels from the shop-floor to the Board itself -- will come to be regarded as part of the accepted fabric of our national life and open a new chapter in industrial relations and in our industrial performance."

The message echoed the conclusion of the Bullock Report exactly, but also repeated its debt to the T.U.C. for the latter's compliance in wage restraint. However, in the months which followed, the social contract appeared more transparent as successive unions in their annual conferences repudiated the compact in the face of rising inflation and unemployment. The Government fell away from its manifesto commitments by cutting public expenditure on housing, education and the social services. On industrial democracy, the Cabinet was itself split between Albert Booth (employment secretary) and Michael Foot (leader of the House) on the left, and Eric Varley (industry secretary) and Edmund Dell (in whose charge the Bullock report lay) on the right. Moreover, the increasing pressure from industry and foreign capital on the government to drop the report under the threat of non-cooperation and a flight of capital exacerbated the problem of reaching agreement between industry and the T.U.C. on Labour's economic strategy. Finally, the reliance of the minority Labour Government on Liberal support in Parliament -- which advocated German-style worker directors and profit sharing -- made perilous any attempt to introduce
the Bullock proposals unmodified. As a result, the Government promised legislation on industrial democracy but regularly failed to produce it.

By the early summer of 1977, Prime Minister Callaghan promised a White Paper on industrial democracy for the following autumn which was to be prepared by a committee chaired by Shirley Williams, the education secretary. The task was later postponed, and the White Paper did not in fact appear until April, 1978. In the end, the Government's White Paper retreated from the Bullock proposals. The Government stressed the desirability of a voluntary move to industrial democracy rather than a statutory right to worker directors. (See Appendix B for details) Only after several years consultation would unions have the right to ballot employees on the issue of worker directors and only then in companies employing more than two thousand people. Worker representatives would not have parity of representation but would constitute one third of the board and would not be mandatable by their unions. Not even these watered down proposals became law before the 1979 general election because the Government announced its willingness to discuss its White Paper with management and union representatives before enacting legislation. Despite this, the continued chorus of opposition from the C.B.I. and other spokesmen for industrial and financial capital (and the occasional trade union leader) further prevented any sort of consensus between industry which might have produced the necessary Liberal support in Parliament. As a result, "... through large sections of British manufacturing industry the right of management to make its crucial industrial decisions in private and in secrecy remained as intact when the Labour Government went to the country as it had been when the Party first took power in 1974."
CHAPTER THREE

FOOTNOTES

1. At the time Peter Shore was Secretary of State for Trade and President of the Board of Trade.


3. Ibid., p. 20.

4. Ibid., p. 22.

5. Ibid., p. 25.


7. Ibid., Supplementary Note of Evidence to the Bullock Committee, 1976, p. 46.


10. Ibid., pp. 30-33.

11. Ibid., p. 71.

12. Ibid., p. 92.

13. Ibid., p. 93.


15. Ibid., p. 95.

16. Ibid., p. 97.

17. Ibid.


19. Ibid., p. 112.

20. Ibid., p. 169.

21. Ibid., p. 162.

22. Ibid., pp. 163-166.
23. Ibid., p. 163.
25. Ibid., pp. 170-171.
26. Ken Coates and Tony Topham, The Shop Steward's Guide to the Bullock Report, Spokesman, 1977, Chapter 4. It is interesting that from the standpoint of the I.W.C., the E.E.C. proposals for supervisory boards in a two-tier system are seen as potentially far more radical than the Bullock proposals.
27. Ibid., ch. 8, p. 58.
34. John Elliot, Conflict or Cooperation? Kogan Page, 1979, p. 245.
35. Ibid., p. 244.
36. See Peter Walker, "Bullock and the Right," New Statesman, 25 February, 1977, p. 246. For a curious argument for greater internal democracy in trade unions as a prerequisite for worker directors, as though present company directors were already widely experienced in democratic organization.
38. Ibid., p. 95.
CHAPTER FOUR
The Limitations of Industrial Democracy

The overwhelming victory of the Conservative Party in the Spring election of 1979 concluded the burial of the Bullock report and ended any possibility of legislation on industrial democracy, however weak and ineffectual such a watered-down product might be from the standpoint of participatory democracy. Britain's estrangement from the E.E.C. over financial contributions overshadowed European plans for industrial harmonization, which were barely proceeding anyway. The Labour Party was soon wracked by a bitter and profound ideological debate within its parliamentary ranks. And, finally, the Trade Union Movement had its attention sharply removed from developing a unified position on worker participation by the astonishing achievement of the Conservative Government which managed to double both inflation and unemployment well within its first year of office. If, by the end of 1979, the Bullock report was not quite swept into history, its resurrection and any future for industrial democracy in Britain would have to at least await the return to power and influence of a cohesive and coherent Labour movement.

The significance of the Bullock report lies not merely in the fact that it represented for the first time in Britain a positive move toward the implementation of reform of capitalist industrial relations. Bullock's real significance is that it was the product of a Labour Government which, through a manifesto commitment, accepted the report's findings. Moreover, the extent to which Labour modified Bullock's proposals in the 1978 White Paper reflects the weakness of the Government's position twelve months prior to its downfall.
as much as it does the Party's inherent conservatism. The Bullock report was never scrapped nor was it shelved; it was simply left unimplemented before the fall of the Labour Government. For this reason it seems probable that the next Labour Government, if in command of a sufficiently strong parliamentary majority, will officially reconvene the whole debate on industrial democracy, either voluntarily from a renewed election pledge, or forcibly from trade union and Labour activist pressure -- or both. If this does occur, one can be sure that the future of industrial democracy will take as its starting point for debate, and focus its attention on, the Bullock proposals -- rather than repeat the mass of rhetoric which preceded Bullock in the 1960's and early 1970's. It is therefore, necessary for socialists and industrial democrats to examine the three most important and controversial proposals of Bullock before the next legislative opportunity arises to reform relations in industry.

Firstly, the imposition by law of trade union representatives would place legal sanctions on both trade unions and employers, and be fiercely resisted by the latter. This would place trade unions within a legal framework which would define the scope and activity of part of their actions. Unions which today bow to the altar of collective bargaining which alone, they feel, preserves the sanctity of their independence from both the state and employer, forget that collective bargaining is essentially defensive, reactive and negative in that the ultimate weapon in the bargaining process is the strike. In this sense, collective bargaining both reaffirms and reinforces the powerlessness of organized labour in the production, distribution and exchange of commodities and services. Thus, trade unions do not have power over, but simply the ability to refuse, until compromise is reached. Furthermore, collective
bargaining, to which Hugh Scanlon maintains we know no limit, is the product of over 150 years of what Tawney has called "autocracy checked by insurgence,"\(^1\) that is, the adversary system of industrial confrontation. Its pattern has been in parts smooth, in parts fractured, but essentially it has grown from custom and practice, unwritten rules and informal understandings which, in varying degrees, define the relationship between trade union and employer in each company, but always distinguish the power of the employer to implement and prescribe from the organizational strength -- often minimal, occasionally considerable -- of trade unions to refuse and resist. This brings us to the main point which is that while collective bargaining may embody the strength to resist the power of capital, it in no way possesses the potential to overcome and surplant the power of capital and organize for itself a system of industrial democracy. It cannot be overstated that industrial democracy requires legislative backing for its implementation and a legal framework for its protection. Collective bargaining has undoubtedly helped the industrial working class in trade union struggles to gain for its members increased standards of living, better health and safety conditions and the like. But it can not in itself secure that transfer of power from capital to labour without which genuine industrial democracy is impossible. In advanced industrial societies like Britain, only by the intervention of state power, in changing industrial statutes by legislation, can the legally established and oligarchic power of capital be overcome for the purposes of industrial democracy. The industrial democrat, who is at the same time a collective bargainist, must therefore, critically reappraise and be willing to forfeit part of his cherished and illusory independence if industrial democracy is to hold any
future meaning.

Secondly, parity of representation on company boards between worker and shareholder directors, or the $2X + Y$ formula, is no parity at all. Nor is it industrial democracy. It will be recalled that Ken Coates pointed out that the social and professional standing of the "Y" element was hardly capable of neutrality and mediation between the representatives of capital and those of labour, and that the "objectivity" of the Y group would at least be influenced by their identical industrial and business positions with those of the shareholder representatives -- despite the philosopher king status ascribed to them by the Bullock report. But this is not the most important point. As was argued towards the end of Chapter One, a system of industrial democracy which is theoretically compatible with liberal capitalist society conceives in its fullest form of a complete divorce between ownership and control over the means of production, but with the maintenance of dividends on invested private capital as reflecting the scarcity value of capital. It will further be recalled that participation in the control of an enterprise should be a function of labour with the democratic principle of one man one vote in determining all levels of management. The Bullock report does not constitute genuine industrial democracy not merely because of the existence of the Y element as Coates suggests, but because the Report, along with the T.U.C., demands parity or 50:50 representation. Parity of representation on boards of directors constitutes not industrial democracy but, as Pateman would put it either "partial democracy" or "pseudo-democracy." At best, boardroom parity represents limited participation in industry; though at a level which would provide the minimum satisfactory safeguard against management cooptation since parity provides worker directors with veto power over shareholder directors.
At worst it represents pseudo-democracy since a significant share of real power is maintained by appointed rather than elected directors, and these appointees of capital, together with the nominated and ostensibly objective Y element, would preserve the traditional power of capital, and with it, the subordination of labour.

Thirdly, the proposal to grant a monopoly to trade unions to choose worker directors, the single channel trade union mechanism, might seem at first glance to be an important element in any attempt to secure industrial democracy in a predominantly capitalist economy. The reason is two-fold. First of all, the trade union is by definition the legitimate representative of industrial labour and as such has the sole right to maintain its function when labour demands management status. Moreover, the cumulative experience and expertise of trade unions over the decades has produced organizational networks of communication which are sensitive to grassroots opinion at the shop-floor level, while maintaining a high degree of competence in negotiations at national level. Thus, trade unions already provide a trusted channel of employee representation to an extent greater than any system of consultative committees, works councils or other non-union bodies could hope to achieve. Secondly, the implementation of industrial democracy would rely to some extent on the protective capabilities of trade unions. Radical reforms in capitalist society are immediately exposed to attempts by Conservative and traditional interests to discredit and undermine democratic advance. As was noted earlier, trade unions are characterized by their defensive and reactive abilities, and when employed for the exclusive purpose of collective bargaining constitute negative power. Whereas, in conditions of industrial democracy
this defensive posture would be transformed into a positive and assertive stance as protection for advances made in the ascendancy of industrial labour.

However, the problem with this type of argument is that it undermines to some extent the raison d'etre of industrial democracy. The Bullock proposal to grant trade unions with a monopoly to choose worker directors goes against the spirit of industrial democracy. Industrial democracy is meant for all workers not just trade unions and their activists. The democratic imperative of political equality in industry contradicts granting any sort of monopoly to any side in industry. The initial ballot of the whole work force in deciding whether a system of industrial democracy is desirable within the firm, the "triggering mechanism," provides the only occasion for full participation. A positive response by the rank and file immediately removes the opportunity for further participation by the report's insistence that trade unions become the sole agent of worker representation thereafter. The error of the proposal lies in its assumption that because trade union machinery provides the best channel of worker communication (as opposed to consultative committees or works' councils), trade unions therefore have the right to select worker representatives. While one can acknowledge the efficacy of trade union machinery as a channel for worker representation, one must nevertheless insist on the election of worker representatives by the work force as a whole through open contest.

At the very least then, industrial democrats, whether Labour parliamentarians, trade unionists or independent socialists should re-think the meaning of industrial democracy, the mechanism of representation and how the struggle for democracy in industry is to be won. This involves a two-fold
examination. First, since industrial democracy involves parliamentary legislation, it seems reasonable to suggest that only the Labour Party possesses the potential to act as a vehicle for such reforms. However, it does not automatically follow that, in the light of the Bullock experience, a future Labour government armed with a comfortable parliamentary majority and free from crippling economic constraints would work toward the fruition of its potential. In order to assess the extent of what might be expected from the Labour Party in the future it is necessary to examine the Party's philosophy and historical development. Despite the present ideological divisions within the Party, its future course must still remain circumscribed by the past. Therefore, an examination of the origins, direction and ideology of Labour will command much of this chapter.

Second, if trade unions are ever to accept the responsibilities of industrial democracy attention must be given to the question of whether trade unions are able to give up certain aspects of their traditional independence and yet remain free from manipulation by capitalist management imperatives.

The two questions are interrelated since both the Labour Party and the Trade Union movement found birth, and have developed within, a predominantly capitalist society. Whether they constitute a complete absorption into capitalism and therefore a complement to its longevity, or whether these political and industrial representatives of the working class are able to radically reform the system which spawned them, and together achieve industrial democracy, is the topic of the remainder of this chapter.

The tragedy of the British working class, suggests Anderson, was not that it was immature but that it was premature. The Communist Manifesto was
published in the same year as the collapse of Chartism. In Britain, from 1850 until around 1890, there were no socialist ideas or movements with any influence to which workers could look for political expression and effective representation. During this period, the traditional craft unions were the labour movement and as such came to condition the future development of working class political organization.

From the 1880's, mass membership of unskilled workers, organized in the 'New Unionism,' marked the beginning of working class political representation. Though more militant than the old craft unions, the new unionism shared the growing belief in parliamentary representation, but objected to the craft unions' alliance with the Liberal Party which was closely associated with manufacturing capital. In 1893 the Independent Labour Party was formed to provide the working class voter with an alternative to the Liberal Party. Two other socialist groupings were formed in the same period, each claiming to represent workers' interests but possessing diametrically opposed ideologies. The Social Democratic Federation (1883) was explicitly Marxist and endorsed participation in parliament only as a tactical manoeuvre. The Fabian Society (1884) by contrast, saw parliament as the only legitimate arena for the reform of capitalist society.

The philosophy of Fabianism was derived from utilitarianism but with the state taking the place of laissez-faire capitalism. Sidney Webb argued that an increasingly complex society would of itself compel greater interference by the state and that this would be reinforced by the development of political democracy. Thus, the electoral support of the working class would secure governmental power for Fabianism and facilitate gradual but persistent
social and economic reform. This acceptance of the historical inevitability of gradualism led Fabians to conceive of capitalism as a "...mere period of anarchy in social affairs, a period of administrative nihilism in between feudal administration on one hand and the new collective, social administration on the other." The Fabians, therefore, were the self-styled technicians of reform, whose efforts would always concentrate on what was immediately practical and possible. Beyond this, Fabianism offered no long term socialist strategy or coherent ideology. Nor did it need to. Simple interventionism was all that the bulk of trade unions required of parliamentary representation to reverse the anti-union trend of court decisions. Consequently, when the Labour Representation Committee was formed in 1900 (renamed the Labour Party in 1906) at a conference of trade unions and various socialist societies, the trade union influence and its Fabian support was evident in the modest declaration that the L.R.C. had the aim of "...securing a better representation in the interests of labour in the House of Commons." The I.L.P. had hoped for a more socialist declaration and with it a long term strategy of reform. But, at the risk of alienating the majority of trade unionists who were persuaded more by Liberalism than Socialism, the socialists in the I.L.P. accepted the resolution. While the S.D.F. promptly left the coalition in disgust, the I.L.P. stayed on as permanent opposition and junior partner to Fabianism.

World War One had forced the coalition government to evolve an extensive system of state control over the economy. The success of the war time economy was seen by Fabians in the Labour Party as proof not only of the inadequacy of capitalism to cope with the problems of production and
distribution, but also that socialism via state intervention and control was an administrative necessity. Consequently, the first Labour Party manifesto, "Labour and the New Social Order" in 1918 advocated the nationalization of land, railways, mines, electricity, Industrial Insurance Companies, as well as canals, harbours and shipping. It also called for state responsibility for the provision of health and education, financed by progressive taxation.

In the same year a new constitution was adopted which transformed the Labour Party from a federation of affiliated organizations into a centralized, national party, organized in constituency parties and subject to central party discipline. The new constitution provided for a much larger financial contribution from trade unions in return for a predominant influence in the structure of the National Executive Committee. These arrangements confirmed the relative powerlessness of Labour's left wing despite the inclusion of Clause 4 into the constitution.

This is the background to the ascendancy of Fabianism in the Labour Party and its political alliance with the conservative trade unionism of the early twentieth century. The Constitution and policy declarations of 1918 enabled the Labour Party to inscribe socialism on its banners. Indeed, its goals in 1918 were more socialistic than anything which preceded it. But the fact remains that it took Labour a further three decades to even begin to implement its social and economic reforms, although the intervening Labour Governments (January 1924-October 1924 and May 1929-October 1931) were both minority and short-lived. And, by the late 1940's, those industries and public utilities which earlier were earmarked for public ownership had become hopelessly inefficient, bankrupt and were in imminent collapse, as will be seen later. No
doubt part of the answer for Labour's reluctance or inability to implement its reforms at the first opportunity lies in the weakness of a relatively new political party, inexperienced in the administration of government power. However, other arguments suggest that no matter how experienced and strong a Labour Government might be the Fabian perspective of gradualist, piecemeal reformism, together with its underlying assumption that there are no effective limitations on the Government's ability to legislate, will eventually undermine the electoral base upon which Fabianism depends. Consequently, a cycle develops in which manifesto pledges of socialist reform are met by electoral support which places Labour in government, only to be removed from office by its inability to carry out its commitments, or from its failure to follow through successful reforms by more radical, long term measures. This argument condemns Fabianism on two fronts. Firstly, the absence of any coherent ideology or long term strategy which is intrinsic to Fabianism leaves it with little to offer the electorate once it considers its immediate aims achieved -- modest though they always are. Secondly, Fabianism sees state power and government power as synonymous and assumes the party of government is vested with omnipotent authority. This view ignores the array of forces within capitalist society which are "naturally" hostile to any reforming government, let alone a socialist one. These include not merely the opposition parties in parliament but also, for example, the civil service, the judiciary and the representatives of financial and industrial capital. In the history of Labour rule, there are two notable examples which provide dramatic evidence of the myopia of Fabianism in action, and its perennial failure: the 1929-1931 Labour Government's inability to manage the economic crisis of the period, and the
1945-1951 policy paralysis after the Labour Government's initial round of nationalization legislation.

The Ramsey MacDonald Government of 1929 came to power partly on its slogan of "work or maintenance." Consequently, its "Unemployment Insurance Act" of the same year provided at least minimal state benefit for the two million unemployed. The classical liberal economic orthodoxy of the time prevented interference with the market mechanism which alone was seen to hold the curative power for the problem of unemployment. However, exception was made to a measure of unemployment benefit, but at levels low enough not to impede the downward pressure of market forces on wages, and only in amounts which were compatible with a balanced budget. By the end of 1930, unemployment had reached 2.5 million with no sign of slowing down. As unemployment increased and government revenues contracted, MacDonald came under increasing pressure from civil servants, industrialists and the Treasury to cut unemployment benefit. At the same time the ideas of Keynes, notably the use of loan-financed government expenditures and the challenge to the necessity of a balanced budget, were widely known. Keynesian ideas, in fact, constituted part of the Labour Party programme and, significantly, were also adopted by the Liberal Party. Despite the availability of a technical solution and support for its implementation inside and outside parliament, the Prime Minister and his inner circle of cabinet ministers were unwilling and unable to confront the established financial elites who formed a policy community embracing the Treasury bureaucracy as well as the private sector. This coalition of interests resolutely defended economic liberalism against what one industrialist called, "...the raving of wild and irresponsible extremists."
With unemployment rising toward the three million mark in the summer of 1931, a Government Committee on Unemployment Insurance proposed that benefit be reduced by twenty percent and employment insurance contributions be increased, as well as the imposition of a means test. Public sector workers would also have their wages cut and public works expenditures were also to be reduced. Moreover, French and U.S. bankers insisted that requests for loans would only be met if the Government balanced the budget by a policy of retrenchment. In preparing his party and supporters for the cuts, MacDonald exhorted them to "...remember that we are grappling with this situation with all our ideals unchanged. We have not changed our policy; we are simply compelled to devise special methods to meet the temporary difficulties." MacDonald met fierce resistance in the Cabinet, the Party and from trade unions. The T.U.C. General Council rejected the proposed cuts and demanded instead the imposition of a graduated levy on profits, incomes, fixed interest securities and all unearned incomes. Sidney Webb, a leading advocate of the proposed cuts and staunch ally of MacDonald (and of course, the leading theoretician of Fabianism), referred to the leaders of the T.U.C. General Council as "pigs" and dismissed the constituency parties as "...frequently unrepresentative groups of non-entities dominated by fanatics and cranks and extremists." With the bulk of the Labour Movement alienated from government and eight cabinet ministers implacably opposed to the cuts, the Prime Minister chose to separate himself from his party instead of formulating a new policy initiative in response to Labour opposition.

At the height of Labour opposition to the cuts MacDonald saw King George V and informed him the Government might have to resign. Later, the
King saw leaders of both opposition parties. The Conservative leader, Baldwin, told the King that "...in view of the fact that the necessary economies would prove most unpalatable to the working classes, it would be to the general interest if they could be imposed by a Labour Government." The best solution, therefore, would be for a reconstituted Labour Cabinet to implement the cuts, or a National Government of all three parties but headed by MacDonald. The object, of course, was to place responsibility for Conservative measures squarely upon a Labour leadership. MacDonald was persuaded to head a predominantly Conservative coalition government in August, 1931. The proposed cuts were then speedily implemented and the foreign loans secured. The Conservative Party called for a general election shortly afterwards, and before the end of 1931, were returned to power with 471 seats over Labour's 52 and the Liberal's 35. The betrayal of MacDonald and a handful of the parliamentary Labour Party leadership was therefore, judged accordingly by working class voters who in 1929 had endorsed Labour rule by providing it with 290 seats. After the MacDonald debate, the I.L.P. left the Labour Party as a group in 1932 and although many of its members later rejoined as individuals, its departure consolidated Fabian leadership in the Parliamentary Party. But after Fabian Socialism was so ignominiously removed from political office it remained for the next decade and a half a minor party of opposition.

Just as the Great War had involved government in social and economic planning, World War Two similarly involved State intervention in the economy on a massive scale. And it was a very successful experience. Under State control the war years had provided the working class with full employment and a much higher standard of living than during the previous two decades. The
surge of war-time nationalism was maintained by post-war radicalism against traditional political conservatism and a demand for the redistribution of income in the post-war reconstruction. This radicalism and the success of the war economy found political expression in Labour's 1945 manifesto programme, "Let Us Face The Future." As well as its aims of nationalization the manifesto promised a National Health Service, Government Social Insurance and better housing and education. The main plank in Labour's 1945 programme, however, was nationalization, and largely in consequence of this stand, a Labour Government was returned to office in the election of that year with overwhelming success. There were 393 Labour M.P.'s returned with an overall majority of 146 and 173 Conservatives lost their seats and together with the Liberals were able to field only 213 members in the new House of Commons.

The Labour Government inherited a situation that was particularly well suited to nationalization, namely "...a system of wartime controls and disciplines which could not have been realized in normal conditions without something approaching a revolution." The "controlling departments" were retained after the war and utilized without modification in Labour's nationalization programme. The fact that these bodies were designed by the wartime Conservative Coalition Government and staffed by its appointees evidently held little significance for Labour's plans. After all, the Fabian conception of the various State bureaucracies was one of technocratic neutrality; apolitical functionaries responding to ministerial input as might a sensitive machine to the wishes of its operator. As it happened, the nature and extent of Labour's programme of public ownership posed little threat to private enterprise and so did not affront the political sympathies of civil servants.
Debate on the form of public ownership Labour should adopt went back to the 1918 constitution. In the 1920's, R.N. Tawney ("The Acquisitive Society") argued that nationalization and the creation of guilds could work side by side. But nationalization must not simply consist of placing industries under the machinery of the State. The authorities to which industries would be entrusted should consist of representatives of consumers, workforce and professional associations as well as state officials. The administrative autonomy of each industry was essential, and if the principle behind industrial control was to be function instead of profit then industrial disputes would decrease because those employed in industry would identify with the common cause. Theoretical compromises between State nationalization and control and Industrial Guilds of this kind were ignored by Fabian Socialism. Any view of public ownership which saw temporary State intervention only as a means for transferring power within industry ran counter to the predominant Fabian view of nationalization as a means of increasing the efficiency of total production across industries. The relations of production within industry were irrelevant in the Fabian scheme of socialism. Thus,

"State ownership and control reflected the Fabian influence, and indicated that the form that public ownership was likely to take would be State and Municipal, not participatory control by the workers themselves."  

However, this does not imply that Fabian Socialism seeks state ownership over the whole economy, or even half of it. It seeks instead to take over industries only from the incompetence of private management and to make those industries more efficient "in the service of the nation." At the outset of Labour's 1945 programme, H. Morrison, who introduced the Government's position
on the issue, told the House of Commons that "...the case for nationalization must not be argued as part of a *general* socialist case against capitalist enterprise but in terms of a specific remedy for particular situations and applicable in purely functional and technical terms to particular industries and services." And those industries identified by "Let Us Face The Future" as being "ripe and overripe for public ownership" had ceased to be profitable and were grossly inefficient and mismanaged. Indeed, with the exception of iron and steel, those industries on Labour's list for nationalization were precisely those which were recommended for nationalization by Conservative-dominated fact-finding committees of the wartime Coalition Government.

"From the beginning, the nationalization proposals of the Government were designed to achieve the sole purpose of improving the efficiency of a capitalist economy, not as marking the beginning of its wholesale transformation, and this was an aim to which many Tories, whatever they might say in the House of Commons, were easily reconciled, and which some even approved..."

It is not simply that nationalization sought to return Britain's capitalist economy to a more efficient footing which foreboded so badly against industrial democracy. Industrial democracy within capitalist society must by necessity accommodate itself to the prevailing system of ownership. The problem with Fabianism is that it respects the control element in the ownership of industrial capital. Consequently, irrespective of whether industries are owned privately or by the state, the simple fact of ownership is sufficient justification for industrial oligarchy.

Nor is it that the failure of Fabianism lies in its (self-imposed) limited scope of action. A wider reaching programme of nationalization into the profitable heartland of manufacturing industry would not make it any more socialistic or democratic -- though it would certainly be more controversial.
However much Fabianism might expropriate private capital it would remain characterized by the substitution of a series of largely authoritarian state monopolies for a series of private monopolies, without touching the relations of production within industry. Thus, like the Meiji Restoration, the dynamics of Fabian reformism, however wide ranging, would occur above the masses. And in Labour's 1945 programme this is precisely what happened.

The men chosen to head the new public corporations were almost without exception the same people who held similar positions in the former private industries. The head of the National Coal Board was a leading figure in the largest colliery company in Britain. Directors on the Boards of nationalized industries were recruited from their bought-out concerns. By 1951, only nine of the forty-seven full-time members, and seven of the forty-eight part-time members of the Boards of the nationalized industries were trade unionists, and five of the Boards had no trade unionist among their full-time members at all. And the hierarchy of management from national down to local level in each industry depended heavily on the functionaries of the previous owners. The so-called "expert managers" were appointed by the responsible minister, and these managers would be answerable not to the labour force in industry but to the minister, and hence to Parliament. Sir Stafford Cripps concluded the issue in October 1946 by declaring that "...there is not yet a large number of workers in Britain capable of taking over large enterprises...until there has been more experience by the workers of the managerial side of industry. I think it would be almost impossible to have worker controlled industry in Britain, even if it were on the whole desirable."32

By the end of 1948, the Labour Government had passed into legislation all
the major nationalization proposals contained in its manifestos programme, except for iron and steel. Significantly, only the nationalization of iron and steel presented a serious threat to the private sector since it remained a profitable industry during the post war reconstruction. And the Labour Government, instead of nationalizing this first of all when, in 1945, opposition would have been least effective, had left iron and steel last on its list of industries ripe for public control. As it happened, the form of nationalization of iron and steel which emerged in 1951 suffered the ravages of opposition in the Commons, from the Civil Service, industrial management and amendments from the House of Lords, to the extent that its denationalization by the next Conservative Government was particularly easy. But for the Labour Government in 1948 the problem was whether to go on with a programme of nationalization extending into major centres of profitable industry or to stop at the bankrupt industries and public utilities. Labour decided it was time for consolidation. More accurately, the Labour Government after 1948 simply did not know what to do next. The Labour Party had run out of ideas and was devoid of strategy. It had left only the Fabian notion of gradual piecemeal reform, "...social tinkering with what was seen as the accomplishment of socialism." Consequently, Labour's 1950 election platform merely stressed its post-1945 achievements and warned against their undoing should the Conservatives be elected. It would seem that the Labour Party waged the election campaign, as Hobsbawn suggests, "...for no other reason beyond that of providing its M.P.'s with ministerial posts." This it was able to do but with a majority in parliament of only six, and for only a year and a half. In the election of the following year the Conservatives were
returned to power where they remain until the mid-1960's.

The previous examples of Fabianism highlight the inherent weakness of Labour which are primarily responsible for the perennial failure of even Fabian socialism, let alone any future possibility of industrial democracy. Nationalization in itself has little to do with socialism. And the concrete form given to nationalization by Fabianism has nothing whatsoever to do with industrial democracy. Socialist alternatives to permanent nationalization had existed since the end of the First World War, most notably in the work of G.D.H. Cole. This alternative saw nationalization as an essential precondi­tion for the socialization of industry. State power was required to legislate the legal expropriation of private industry. However, since the state "...has no claim to decide producers questions or exercise direct control over produc­tion..." it should devolve industrial control to the producers while retaining formal ownership over the means of production. This separation avoids the monolithic control structures intrinsic to state nationalization.

Without socializing the relations of production, nationalization holds little meaning for producers. Coates and Topham have recorded the wide­spread worker demoralization in the nationalized industries from the unfulfilled expectations of a new worker status under public ownership.37 This, together with the vacuity of policy, demolished the electoral support from which Fabianism finds its justification. By proceeding empirically, advancing toward only immediate goals, then stumbling, reacting and trimming, Fabianism is its own undoing. By ascribing an apolitical role to the administrative elites in the state system and acting upon their advice, Fabianism was similarly unseated in 1931. These elites are not neutral; "...they reinforce the conservative
propensities of government in which these propensities are already well
developed, and serve as an inhibiting factor in regard to governments in
which they are less pronounced." Therefore, if industrial democracy can
only become a reality in part by the legislative capabilities of parliament,
and only through the efforts of the Labour Party in power, a future for
democratic industry seems at least distant. The preceding analysis of the
development and ideology of the Labour Party identifies in Fabianism an ab­
sence of any long term strategy for the reform of industry and the dogged in­
sistence that selective state ownership and control provides the most suitable
form of popular industrial administration. So long as this remains the pre­
vailing view of Labour thinking, industrial democracy is not feasible. And,
the persistent failure of successive Labour governments to confront the Con­
servatism of the various state bureaucracies can only reinforce Fabian hesi­
tancy.

As far as the Trade Union Movement is concerned, two main obstacles
continue to frustrate attempts to move organized labour to demand real indus­
trial democracy, and to do so with a single, unified voice. The first obsta­
cle is the disunity within the Trade Union Movement over the whole question
of industrial democracy. Trade unions have always been divided from each
other in terms of the particular functions and skills of their members, their
geographic separation, differing historical development, and above all, di­
vided by ideology. Thus, as Chapter Three pointed out, some conservative
unions were able to endorse the findings of the Bullock Report while others
preferred traditional collective bargaining. On the left, certain unions
felt the Bullock Report to be a positive move towards industrial democracy.
whilst equally militant unions refused to have any boardroom dialogue with management, insisting on complete independence and a policy of encroaching control. Moreover, this division is pronounced within unions as it is between them. It is not uncommon to find a more militant left-wing rank and file to be at odds with a more moderate leadership in the executive of union administration. Miliband argues union leaders occupy a profoundly ambiguous role in capitalist societies. These leaders are expected to defend the sectional interests of their members. However, "...they are also expected by 'public opinion,' and often required by the state to act 'responsibly,' in the 'national interest,' which generally means that they should curb and subdue their members' demands rather than defend and advance them." These environmental influences bring us to the second obstacle to industrial democracy.

Historically, trade union development is a response not merely to capitalist ownership of the instruments of production but to the organization of capitalist control of industry. Early labour movements all failed in the face of legal and physical repression. After the repeal of the Combination Acts in 1825 and the formation of craft unions in the mid-nineteenth century, radicalism gave way to accommodation of capitalism. And these unions "... were extreme only in their caution and moderation." The lifting of legal sanctions on trade unions stimulated mass recruitment of unskilled workers in unions with predominantly radical leaderships. However, the early militancy of the new unions subsided as they became subject to similar pressures as the craft unions. And most important amongst these pressures was the compulsory recognition by unions of the inalienable right of capital to organize
and control industry. Once accepted as legitimate social institutions, trade unions necessarily defined their functions within the framework of the existing system. The development and structure of trade unions from this point has therefore been a more or less even moulding to the contours of capitalist industry. Trade union acceptance of capitalist control of industry has become formalized in the institutions of conflict resolution. When industrial conflict is openly articulated, bargaining takes place with an integrative or problem-solving character. This collective bargaining, developed through custom and practice, "...is a process of defensive accommodation to the existing power structure, and involves the relief or suppression of immediate grievances rather than any attempt to tackle the underlying cause of workers' problems." Moreover, the trade union characterized by moderation and which exhibits no threat to the status quo gains acquiescence and goodwill from both employer and the state, and this enhances the security and stability of the organization. It is perhaps not surprising then that few unions construct an operational policy designed to seriously challenge the existing power structure of industry. Even the strong and traditionally militant unions tend to avoid the fundamental question of control of industry. When the miners' strike of 1974 resulted in the downfall of the Heath Government, the N.U.M. remained content with the pay award it demanded rather than taking the opportunity of its success and overwhelming public sympathy to pressurize the incoming Labour Government to act immediately on industrial reform. British trade unions, therefore, still remain almost exclusively concerned with marginal improvements like wages, work conditions and job description.
"They do not attack...the hierarchical nature of the company, the extreme division of labour, and the massive inequalities of financial reward, status, control and autonomy in work. Neither do they try to secure a foothold in the majority of decisions made within the organization on such issues as management of objectives, markets, capital investment and rate of expansion. Very rarely do they seriously challenge such principles as the treatment of labour as a commodity to be hired or discarded at management convenience."42

Trade union organization, which historically emerged from the antagonism between the interests of labour and capital, and particularly in opposition to capitalist control of industry, may have come to serve as an element in that control structure.

Despite this, the accommodative posture of collective bargaining does not necessarily condemn the history of trade unionism as a mere aid to capitalist management. As Chapter Two pointed out the establishment of collective bargaining not only confirmed the legitimacy of trade unions but also placed workers' organizations on an independent footing from management, and did so at every level of negotiation. And with the impetus of two World Wars, trade unions were able to expand the areas of negotiation from wages to general working conditions, and from the simple acceptance of the employment contract to pension and compensation rights. By the end of the World War Two, collective bargaining was established practice encompassing a multitude of topics and negotiated at local and national level. In this respect collective bargaining during the first half of the twentieth century had the same effect as strategies of encroaching workers' control hope for today. During these formative decades one might well have agreed with Hugh Scanlon's assertion that collective bargaining knows no limit. Indeed, when considering that just prior to the First World War the very existence of trade unions was threatened by the law courts, the successes of collective bargaining during
the following three decades are most impressive.

However, since the Second World War collective bargaining has not significantly widened the scope for labour self determination; it has, in fact, been undermined. The affluence of the 1950's enabled unions to secure more material benefits for their workers from existing areas of negotiation. The Wilson Governments of the 1960's seriously weakened the whole concept of collective bargaining by a series of compulsory wage freezes. And in the 1970's individual trade unions saw their autonomy dissipated by national agreements made by the T.U.C. and the Labour Government over wages and union direction. This "Social Contract" marked the power of nationally organized labour to negotiate with government and was, perhaps, the pinnacle of the achievements of collective bargaining. But ironically, it did so at the expense of individual trade unions who found themselves quite unable to bargain as autonomous agents with their respective employers, and were vigorously policed by their national leadership. Thus from legitimacy and autonomous development in the first half of this century, trade unions in the latter half seem increasingly threatened by absorption into the statist orientation of Labour Governments.

The shortcomings of traditional collective bargaining in the post war period no doubt go some way in explaining the sudden interest in industrial democracy by trade unions during the mid-1960's. Yet a decade later and at the height of the social contract when trade unions queued to give testimony before the Bullock Report, the traditional sanctity of collective bargaining was preserved to the extent that one wonders whether trade unions realized the difference between bargaining with management and the possibility of
industrial labour assuming for itself the criteria by which management exercises its function. And at the outset at least, the Royal Commission might have been persuaded by arguments for full electoral management, but when trade unions warned against interfering with collective bargaining it was clear that traditional management was to remain a sizable established fact.

Industrial democracy, it seems, is a cherished goal of contemporary trade unionism provided it does not require modifications to the structures and organizational procedures of trade unions. But this is precisely what industrial democracy does require. Full industrial democracy of the type conceived in this work provides for the dismantling of capitalist control relations in industry. Management will, of course, still exist as would a chain of administrative authority at all levels. But this authority would not be external to the workers, or enforced by representatives of interests outside the factory. Authority and control over workers would be self-imposed by labour itself through the medium of elected overseers, answerable and responsible to the whole membership of the factory electorate. And general ownership, whether state or privately held, would be divorced from general control and distribution of production. This may seem a revolutionary proposal to trade unionism, though in fact it is not. Industrial democracy does not challenge the existence of private property but rejects the traditional premise that ownership confers the right to control the working lives of producers. This distinction between ownership and control was not grasped by the Trade Union Movement throughout the Bullock inquiry. Consequently, the Bullock report produced a set of proposals which would
add confusion to the historic contradiction of trade unions in capitalist society. The report proposes that while workers would constitute a sizable portion of management, collective bargaining would be maintained; indeed, we are told it would be strengthened. Yet it is difficult to acknowledge the efficacy of this idea in reality if trade unions are to bargain with management while constituting part of management itself. Another more serious defect in the report assumes that industrial democracy can follow the development of democracy in the political realm. The report is peppered with references to the existence of political democracy as the justification for its application to industry. And this is a commendable analogy. However, the error lies in the report's assumption that industrial democracy can be fully achieved in stages by the successive extension of the industrial franchise culminating in universal industrial suffrage. After all, full political democracy was not achieved in Britain until 1928 (after a century of democratization) when women between twenty-one and thirty years of age were given the vote. The problem with this argument is that industrial democracy cannot develop partially as did political democracy. A strategy of suffrage by installments would likely have precisely the opposite of its intended or supposed effect. A minority of workers' representatives on company boards (assured numerically and socially by the $Y$ element) would institutionalized and reinforce private control of industry by placing organizational obligations on worker directors to abide by decisions made by the representatives of private capital. The reconstituted board would, therefore, erode back to private control and enable management to "regain control by sharing it." Thus, the Bullock model of industrial democracy would...involve an absorption of
workers' representatives into capitalist forms of control, not a transcen-
ding of these; it would bring about a more effective integration of workers
into existing economic and social relations rather than produce any basic
alteration in the capitalist system."^{43}
CHAPTER FOUR

FOOTNOTES


   Chapter 4, "Participation" and "Democracy" in Industry.


10. Ibid., p. 60.

11. The now famous Clause 4 of the Labour Party Constitution aims "...to secure for the workers by hand or by brain the full fruits of their industry and the most equitable distribution of thereof that may be possible upon the common ownership of the means of production, and the best obtainable system of popular administration and control of each industry and service." -- cited in Miliband, Parliamentary Socialism, p. 61.


15. Miliband, Parliamentary Socialism, p. 163.

16. Ibid., p. 172.
17. Ibid.


19. Miliband, Parliamentary Socialism, p. 176 (Miliband's emphasis).


22. Ibid., p. 274.

23. The policy document committed the next Labour Government to the nationalization of a specific list of industries (rather than an on-going programme): The Bank of England, the fuel and power industries, inland transport, iron and steel and land -- these were industries which were said to be "inefficient and falling down on the job" and as such, "ripe and over-ripe for public ownership and management in the direct service of the nation." The remaining eighty percent of industry was to be left in private hands. David Coates, The Labour Party and the Struggle for Socialism, C.U.P., 1975, p. 43.


29. Ibid.

30. Ibid., p. 288.


32. R. Miliband, Parliamentary Socialism, p. 289.

33. See Miliband, Parliamentary Democracy, pp. 310-322.


35. R. Miliband, Parliamentary Socialism, p. 308.


38. R. Miliband, *State and Capitalist Society*, p. 120.

39. Ibid., p. 158.


42. Alan Fox, *Man Mismanagement*, Hutchinson, 1974, p. 16.

CHAPTER FIVE
International Perspectives and General Conclusions

Although this work is primarily concerned with industrial democracy in Britain, it would be incomplete without some reference to attempts made in other countries in the field of worker self-management. In this respect the remaining pages will outline the forms of worker self-management in Yugoslavia and in Allende's Chile; the position of France's ruling Socialist Party and its trade union affiliate (CFDT) on worker control strategy; and Poland's Solidarity Movement. It will also offer general conclusions as to the future of industrial democracy in Britain.

The Yugoslav worker-managed enterprise has little to do with private or public enterprise in the West, or that developed in the U.S.S.R. under central planning. Since the early 1950's, the self-governing enterprise has been the basis of economic activity in Yugoslavia. Each producing unit has at its base a 'work collectivity' which comprises all those working in the enterprise, from managers to labourers, and each with equal rights as members. Within the limits of prescribed law the collectivity adopts rules and plans, defines the internal structure of the unit, elects collective management bodies and appoints individual managers. It further decides on major issues by referendum at a general assembly. The work collectivity also elects the 'workers-council' (50% of which is elected annually) to deal with all policy issues, items reserved to it by law, and other rules including appeals against decisions previously made. The 'management board' is elected annually by the workers' council. It deals with current issues of a general
nature and the specialized boards or committees as required by law. These include such areas as employment, discipline, investment, housing, social services, grievances and the like. Each of these specialized bodies possess varying degrees of autonomy in decision-making. The workers' council and management board together appoint all members of higher management, although the 'executive director' is appointed only by the workers' council. This position has a four year tenure and is open to reappointment. The executive director implements the decisions of the collective management bodies and directs current business. The holder of this position is accountable at any time to the workers' council.\(^1\) The process of decentralization may be repeated depending on the size of the enterprise to the extent that in very large concerns, three or four tier self-management structure may be found. Together with the dozens of smaller self-management bodies and specialized committees, hundreds of workers become directly associated with management activities in any large firm.\(^2\)

The economic performance of self-management in Yugoslavia can be seen from the following statistics. In the period 1950-1964 the world average per capital growth of income was 2.3%. In Yugoslavia during the same period the figure was 7%.\(^3\) The average rate of growth of Gross National Product was 6.8% for the period 1960-1968, compared with 2.3% for the period of central planning 1947-1952.\(^4\)

Since the economic reforms of 1961 and 1965, Yugoslav planners have increasingly followed a strategy of optimizing returns on invested capital. Inter-regional differences have increased throughout the economy as a result of the strengthening of market forces. Middle management has greatly expanded
with the need to respond quickly and influence market conditions. Some writers have argued this development has produced a management structure which is predominantly authoritarian, as well as a decline in worker participation and attendance at workers' council meetings. Others suggest this trend away from democratic decision-making has been offset by an increase in the number of organizations of associated labourer and specialist committees in the larger firms. Another point of criticism is that the increase in foreign investment in Yugoslavia undermines worker sovereignty in control decisions and allows the repatriation of profits. Moreover, the increased role of banks as credit givers, operating on commercial criteria rather than social imperatives further constrains producer autonomy. Finally, since 1971, the revitalization of the League of Communists in economic decision-making below the national level has called into question the security of producer autonomy. Although it is argued that political intervention in economic decision-making is cyclical and the declining role of central administration has been on the whole linear, other arguments stressing the incompatibility of democratic centralism and industrial self-management are considerable. Selucky argues the Yugoslav system suffers from the cleavage between the decentralized self-managed economy and the hierarchically organized Communist Party, whose informal power contradicts formal arrangements of self-management in all political and economic institutions. Thus, democratic centralism is a contradiction to self-management horizontal relations. The preservation of the democratic principle of self-management requires that democratic centralism be abandoned to allow for the freedom of factions, discussion and participation at all levels of politics. This
does not necessitate a multiparty system but equality of decision-making and on extension of the participatory principle to regional, provincial and national levels of government. The Yugoslav system provides an example of worker self-management which has largely shown itself to be compatible with rapid economic development. And despite the organizational problems which have occurred since the mid-1960s, the democratic imperative in industry still remains intact. However, in the long term the stability and vitality of producer autonomy will remain in doubt while the political organization continues to be profoundly authoritarian.

Worker participation in Chile hardly existed in any form before its brief flowering during the Allende period of 1970-1973. With the exception of a national profit-sharing scheme in 1924, worker participation remained at the level of collective bargaining up to the late 1960s when several ostensibly bankrupt firms were taken over by their employees. However, after 1970 worker participation was introduced as a major item on the political agenda with the electoral victory of Salvador Allende. Allende's Party, the Popular Unity, had proposed to expand the state sector to include the "commanding heights" of the economy. This enlargement was to be the "social area" which "...would create the necessary conditions for launching a programme of workers' control over decision-making in the economy's most important enterprises." Thirty-seven firms had been socialized by the end of 1970. In October 1971 Allende put forward a government bill asking for executive powers to nationalize a further 253 enterprises. The political opposition had sufficient strength in congress to impede Allende's moves toward the socialization of industry. It also managed the 'Contraloria,'
an institution whose purpose it was to watch over and pass judgement on the executive branch. Allende was able to override the Contraloria only by issuing a 'decreto de insistencia,' signed by all his cabinet. In the same month as Allende's wide-reaching nationalization bill the opposition put forward the Hamilton-Fuentealba constitutional reform proposal which would make executive intervention and force the return to private ownership of banks, large distribution firms and other monopolies. Allende promptly vetoed the bill but not before reducing the list of firms for socialization from 253 to 91. Negotiations between Popular Unity and the Christian Democratic Party broke down continually between June 1972 and the overthrow of Allende in September 1973. However, by Allende's last month in office the social area had grown to encompass 50 of the 74 manufacturing firms on the list for socialization.12

The framework for worker participation in Chile was known as the normas basicas de participacion. The superior decision-making body in an enterprise was the administrative council and was composed of five worker representatives, five state representatives and one administrator appointed by the state to preside over the administrative council. Worker representatives were elected in the workers' general assembly for two year terms -- open to re-election only once. They were accountable at any time to the general assembly and removable by a majority vote. The function of the general assembly was, therefore, to monitor and control all other groups in the participatory process. Also at the grass roots level were the sectional assemblies which represented the different production functions of the firm. Each sectional assembly elected and removed its respective production committee
Trade unions were not fully integrated into the new management structure. Union officials were not eligible for election as worker representatives to either the administrative councils or the production committees. However, unions were to preside over the general assemblies where independence could be maintained in defending workers' interests; and perhaps essential since state representatives were in a majority on the administrative councils.

The normas basicas never had the force of law and were applied unevenly throughout Chile's social area, although eventually those manufacturing enterprises of social area accounted for around forty percent of total industrial production and employed over thirty percent of the industrial labour force. But the Chilean experience of worker participation was short-lived. In the majority of firms within the social area workers enjoyed management authority for less than two years, in a climate of profound political instability and intense conflict. The Allende administration held only executive power since it was in a minority in Congress. Moreover, other state institutions including the civil service, judiciary, and the officer core of the armed forces opposed the reforming government through an enthusiastic mass media. Despite these overwhelming problems Espinosa and Zimbalist end their analysis of the Chilean experience with positive conclusions. The abrupt termination of worker management organization in September 1973 had nothing to do with any shortcomings which arose during its short lifetime but everything to do with the essential political preconditions for its maintenance.

In France a political party with a commitment to worker self-management
has recently won office and unlike Chile's Popular Unity, the French Socialist Party (P.S.) has received a comfortable overall governmental majority. Self-management, or more accurately, "autogestion," is also the political platform of France's second largest trade union, the Confederation francaise democratique du travail (CFDT).\textsuperscript{16} As a trade union and political strategy, autogestion was launched during the factory occupations in the upheavals of May 1968. Prior to 1968, unions had no official recognition at the enterprise level. After the Second World War the French government created comites d'enterprise -- works' councils -- to provide information on the company to the unions as well as a voice in controlling day to day operations and long-term policy. Few firms even bothered to create the committees and those that did produced mere consultative bodies devoid of influence over management. In fact, before 1968 unions had no legally sanctioned countervailing power. They had no legal right to operate within the factory walls and union militants and members had no legal protection against arbitrary managerial power. The May 1968 striker brought concession in the form of legal rights of unions to operate and organize inside the factory, and the comites d'enterprise were given broader powers.\textsuperscript{17} Neither these concessions nor the wage increases that followed resulted in a return to industrial peace.

In June 1974 Valery Giscard d'Estaing attempted to introduce his (conservative) "reform of the firm" by setting up the Sundreau Commission. This commission recommended the separation of the functions of management from those of supervision; workers on firms employing more than 1,000 or 2,000 would be given one-third representation on a body responsible for supervision.
These proposals, though perhaps significant for France, fell short of existing systems of representation in Europe, notably co-determination in West Germany. By the time the Sudreau Commission reached parliament its proposals had been modified to the extent that worker representation on supervisory boards was optional, to be applied only at the discretion of management and the general assembly of shareholders.\(^{18}\)

The Giscard Government's proposals were widely seen as a public relations device and a conservative attempt to extinguish some of the radicalism in the years after 1968. But the street battles and factory occupations of May and June of that year had firmly inserted autogestion into official text in the CFDT and was adopted by much of the non-communist left including left Catholic groups, and, more importantly, a newly-reorganized Socialist Party. Autogestion is not intended as a programme for piecemeal reformism (like British Fabianism) within the capitalist system. It is both anti-capitalist and anti-East European communism. It conceives of extreme decentralization and radical egalitarianism whose essential precondition is the socialization of the productive apparatus. It is not Fabian oriented nationalization with attendant centralized and bureaucratized state control but socialization characterized decentralization of ownership and control by an assortment of collectives from local, municipal, regional and in some case the national community.

"This was to be a decentralized society based on a dense network of small, autonomous self-managed units, that is, units managed directly by all those immediately involved in their operations."\(^{19}\)

Each producing unit, therefore, would be characterized by self-management by the workers. Decision-making would take place within an elected
enterprise council. Those firms still under private ownership would find their management prerogatives open to public scrutiny and subject to trade union veto. Moreover, the principle of self-management would not be restricted to industry. Rather, the concept of autogestion in its wider societal context envisages its equal application to universities, hospitals, communications networks, etc. Autogestion also sees a new structure for trade unions. This structure has four elements. First, unions must insist on their own independent strategy and so avoid any totalitarian deviation in a union-party partnership. Second, unions need a tactical day to day approach in the struggle for autogestion, distinct though not incongruous with long-term goals. These immediate demands need to be politicized and centre on the issue of control over production. Third, the CDFT accommodated itself to the May revolt by implicitly endorsing strike committees independent of trade union machinery and the use of illegal tactics -- though in the late 1970's this blend of spontaneity and organization was greatly played down. Finally, under socialism unions must not become part of the administrative machinery of the state. Unions should not accept managerial roles under autogestion but remain in opposition to elected representatives and express hitherto unfulfilled worker aspirations.

The theory and strategy of autogestion is both daring and grandiose. It is made all the more so since it underpins much of the Socialist Party's recent political platform. One of François Mitterrand's election pledges was the encouragement of worker self-management "...to increase the working man's say in running French companies." Moreover, the new government has reached an accord with the PCF on an immediate programme of nationalization
to include the remaining French banks in private hands, the top five French multinationals and other industries such as shipbuilding, wood, paper, glass, publishing, armaments and heavy electrical. 23 If nationalization is the pre-condition to socializing industry, a government and trade union movement firmly committed to the latter must at least have more success in introducing industrial democracy than the combined efforts of a labour movement across the channel which approaches the problem only in terms of what is immediately possible. In view of the preceding pages it is difficult to conceive that the Mitterrand Government might fail in its promise any more abjectly than the last Labour Government did in Britain. However, whether Mitterrand has the political will to work toward the reforms of autogestion is a question which will only be answered by future developments.

Future developments will also determine the fate of Poland's free trade union movement, Solidarity. If the existence of worker autonomy is inherently incompatible with democratic centralism in Yugoslavia, the problem is accerbated in Poland by the grudging acceptance of independent trade unionism by the communist state. Whereas, workers' self-management in Yugoslavia was designed and introduced by the state, Poland's Solidarity movement has risen in opposition to its ruling administration. As such the future of "mere trade unionism" in Poland is much more precarious than the longevity of the qualitively superior worker self-management in Yugoslavia; and this view ignores possible military intervention in Poland by the U.S.S.R.

Within the single year of its existence Solidarity has won considerable concessions and freedoms from the State. Strikes have removed insensitive overseers and corrupt managers, have ended Saturday working and compulsory
ovetime. Most notable of all, Solidarity was instrumental in bringing about the emergency congress of the Communist Party in July of this year which produced the most democratic elections ever held in a ruling communist party in Eastern Europe. The result was an almost totally new central committee and politbureau. However, the rule of Stanislaw Kania as party leader and General Jarazelski as Prime Minister has neither been challenged nor reinforced by their new colleagues. And since then little has changed in Poland other than a deepening economic crisis, an increasingly threatening Soviet posture and denunciations from East Germany.

At the close of the initial phase of its first national congress in Gdansk, Solidarity made the important decision to ask the Sejm (parliament) to carry through a referendum on industrial self-management. If the Sejm refuses or votes through the Government's much weakened proposals, Solidarity would hold its own referendum on the scheme. In the intervening three weeks before the resumption of the final part of the Congress, the Polish Government has issued several vitriolic attacks on Solidarity accusing it of having designs on government power, and after a "grave" warning by the Soviet Union, has hinted at a bloody confrontation with the trade union. At the time of writing, Solidarity has issued a compromise by indicating its willingness to collaborate in partnership with the Government on the issue of self-management, with the implicit recognition of the sovereignty of the Communist Party. The government has initially responded with approval, though it remains to be seen whether more militant groups within Solidarity will ratify their leadership's proposal when the Congress reconvenes early in October.

Whether negotiations on self-management with the Government will take
place, and whether any meaningful form of industrial democracy results from such talks also remains to be seen. Solidarity has demanded more than trade union independence in its call for self-management. It is unlikely, therefore, that it will settle for token worker representation on state-controlled industrial boards. Solidarity has raised the question of industrial power and in a detailed state-controlled economy this question immediately becomes one of political power. The future of Solidarity, and therefore the future of industrial democracy in Poland, lies in the ability of the Communist Party to adapt to these changes in Polish society, and to do so with the disquieting knowledge of the events of 1956 and 1968.

This thesis has attempted to argue the case for industrial democracy from a critical examination of the history of the British Labour Movement. Chapter One outlined the general theoretical construct by focussing on the work of several writers influential in the development and debates of twentieth century labour politics. In particular, the Webbs' Fabian contribution was contrasted by the Guild Socialism of G.D.H. Cole as was the work of their ideological descendents, Hugh Clegg and Ken Coates respectively. Whereas the Fabian view conceives of industrial reform (when necessary) emanating from the state and Guild Socialism identifies trade union action as the primary vehicle for industrial democracy, a theoretical perspective was offered which insists on a distinction between ownership and control in the organization of industry; that ownership should bear no rights to control and the latter should be a function of labour only. However, this
theoretical distinction was missed by Fabianism in the formative years of Britain's Labour Movement, and, as Chapter Two illustrates, the dominance of Fabian thought was carried over into concrete reality in the form of collective bargaining as the centrepiece of trade union relations with private (and later public) ownership. Ironically, the post-Second World War maturity of collective bargaining also highlighted its inherent weaknesses. From the early 1960's this traditional tool of labour representation was increasingly unable to hold sway over shifting investment patterns, mergers and industrial rationalization. These developments stimulated a growing chorus of demands for worker representatives in top management positions from the mid-1960's and, together with E.E.C. pressures in the early 1970's, largely explain the T.U.C. commitment to some form of industrial democracy from 1974. The culmination of these events was the Bullock Report early in 1977. The life and death of Bullock was discussed in Chapter Three along with its shortcomings, most notably its failure to effectively confront managerial power.

Chapter Four explained the failure and limitations of industrial democracy in Britain primarily in terms of the myopia of Fabian politics and the prevailing reactive and cooperative character of British trade unions to British capitalism. This need not condemn British society to paralysis by future Labour governments any more than British workers must forever be denied industrial democracy. Other countries have found the stimulus for political and industrial change when such change has been incongruous to their historical development, as Chapter Five shows. The radical departure from central planning in Yugoslavia to a worker-managed economy in the early 1950's remains a prime example. Even the brief period of worker participation in
Chile provides an example of a democratically elected government actively implementing a very real measure of worker self-determination. The failure to pursue a greater parliamentary majority ended Chile's experiment in industrial democracy rather than any weakness in its design. In France the events of May 1968 stimulated change in its socialist movement. The subsequent reformulation of theory produced the political platform of autogestion which is held by the Socialist Party and the second largest trade union, CFDT. Francois Mitterrand's Socialist Party is now in power and unlike Allende's Popular Unity enjoys a comfortable parliamentary majority -- whether Mitterrand will take full advantage of his party's position remains to be seen. But at least in one western European country industrial democracy is again on the political agenda. Poland's Solidarity in itself constitutes both a movement for workers' control in the I.W.C. sense and a potential vehicle upon which self-management might be sought. The obstacles admittedly seem overwhelming for Poland's independent trade union, but its existence after a year of intense struggle in some sense confirms the universal legitimacy of demands for democratic production, irrespective of the political milieu from which they arise. This international perspective, then, suggests that industrial democracy is a recurrent demand rather than isolated examples of worker militancy. As such one can expect, with some optimism, an increase in demands for worker autonomy in the international economy.

The analysis of Britain Labour Party and the Trade Union Movement concludes that their respective histories, ideology and structures preclude the emergence of full industrial democracy in Britain. And yet, if industrial democracy is ever to become a reality (within the parameters of advanced
industrial society) it can only come about by the efforts of these two agencies acting together. A future Labour Government committed to industrial democracy and determined to implement the necessary legislation would need to be freed of its Fabian legacy and its Fabian leadership. A trade union movement ready for the responsibilities of industrial democracy would need to be released from its defensive character and aggressively assert the historic democratic rights of workers. Given these prerequisites, the future of industrial democracy, if determined by the past, looks dim indeed. At the most, one might expect a watered-down Bullock formula as the last Labour Government eventually developed. Recent developments however, do give cause for guarded optimism. In 1973 Miliband viewed the prospect of replacing Labour's leadership with a more radical one as "altogether illusory," and while nothing a shift to the left within the trade union movement, remarks that "...the evidence is entirely lacking that the new trade union left has the slightest inclination to bring about sweeping changes in the leadership of the Labour Party, or that it would be able to do so if it had." Since 1973 this leftward trend in the Labour Party has markedly increased both within the trade unions and the Labour Party. This trend culminated recently in the 1981 Labour Leadership Conference which not merely reflected the inclination of the trade union left to bring about "sweeping changes," but provided the structural prerequisites to do so. Of the five electoral college proposals submitted, the successful one proposed by Tony Benn and the 'Rank and File Mobilizing Committee' adopted a 40-30-30 formula: forty percent union votes with the rest shared between M.P.'s and the constituency parties. The vote, Benn claimed, "...had changed the course of
British history." It is much too early to endorse Benn's prophesy but at least the vote dealt a serious blow to Fabian hegemony over the leadership of the Labour Party which had been assured since the 1918 constitution. Over the months following the conference decision, several Labour M.P.'s left the Party to form the "Social Democratic Party." At the moment the future of the S.D.P. is unclear and its significance for industrial democracy may as yet rest only in that the S.D.P. constitutes a disenchanted faction of former Fabian politicians. The S.D.P. may make significant gains at the next election, or it may share the Liberal's position as a minor party in parliament. Alternatively, the defection of these Fabians to the S.D.P. and the constitutional changes in the election of Labour's leadership could be of great significance. They may mark a decisive break with the past and provide the opportunity for industrial democrats within the Labour Party, in the trade unions and in the constituency parties to reopen the debate on industrial democracy with vigour and a commitment to the democratic administration of industry. If this is not forthcoming, British industrial democracy in the 1980's will remain merely a distant possibility.
CHAPTER FIVE

FOOTNOTES


5. See Part III of Dunn and Obradovic, ibid.

6. Ibid., Chapter I, p. 12.


11. Ibid., p. 46.

12. Ibid., pp. 48-50.

13. Ibid., pp. 51-56.


15. Higher level participation stimulated lower level involvement. Discipline improved and absenteeism decreased. The opportunity for participation stimulated demands for more training, which in terms increased worker efficiency in participation. In a sample of socialized firms productivity increased by six percent. Socialized firms also tended to have higher investment ratios. These firms also expanded the social services available to workers. Ibid., pp. 181-189.
16. The French Communist Party and the communist led C.G.T., France's largest trade union, espouse their own worker management system, gestion democratique. Its strategy is more orthodox marxist in character and does differ in many respects to the CFDT model of auto-gestion. However, the two strategies were brought closer to some extent by the 1972 Common Programme Agreement between the P.C.F. and P.S. For this reason and the fact of Francois Mitterrand's accession to power, attention will concentrate on autogestion as France's road to industrial democracy.


18. Ibid., pp. 159-160.

19. Ibid., p. 163.

20. Ibid., pp. 166-168.


24. Although the nature of self-management to be canvassed is as yet unclear, one newspaper authoritatively suggests that "it stands for complete workers' control by the employees rather than by the union..." To Observer, 13 September 1981. p. 9.

25. These events have taken place between September 10 and 24 as reported by the Western Media.


28. The S.D.P. took thirty-eight percent of the poll at a recent by-election in Warrington. Projected nationally, this share would make the S.D.P. the second largest political party in Britain, after Labour.
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APPENDIX A

The Bullock Report in Brief

Majority Proposals:

1. Any firm with more than 2,000 employees must introduce worker directors if a secret ballot of all workers shows a simple majority (equal to at least one-third of the workforce), in favour.

2. Worker directors to be chosen only through union channels.

3. Equal numbers of union and shareholder representatives on the newly constituted boards (the "2X" element), plus a smaller group of coopted directors agreeable to both parties (the "Y" element).

4. Worker representatives to serve on unitary boards rather than merely on supervisory boards under a two-tier system as in Germany.

5. Worker directors to normally serve for three years with expenses but no fee, but can be removed earlier if all the unions agree.

6. Subsidiaries of large companies can also opt for worker boards if they employ more than 2,000 people. Moreover, both British and foreign multinationals are included in the proposals.

7. An Industrial Democracy Commission to watch over the rules, encourage participation and if necessary impose the "Y" group in cases where unions and shareholders cannot agree.

8. £3m to be set aside to train union candidates in management, company law, and finance. However, the report also envisages that shareholder directors would have to learn how to interact effectively with employee representatives.

Minority Proposals:

1. Where a secret ballot reveals a majority of employees in favour of representation at board level, such representation should be on supervisory not unitary boards.

2. Employee representatives should always constitute less than half of a supervisory board.

3. Employee representatives should include at least one representative of all categories of employees -- from the shop-floor payroll, from salaried staff employees, and from management.
APPENDIX A (cont.)

4. The issue of board-level representation should not be voted upon until a complementary 'sub-structure' of an employee council has been established and operated effectively for a specified number of years.

5. All employees (not just members of trade unions), should be involved in elections both to employee councils and to supervisory board appointments.

Recommendations:

1. The establishment of the right to discuss strategic issues in companies employing more than 500; to be followed later by the introduction of an additional right to employee representation on supervisory boards of companies employing more than 2,000.

2. Private Sector -- no imposition of employee representation for 3 to 4 years. This would provide trade unions and management with sufficient time to adapt. Some unions might opt for strategic bargaining action which would come into force immediately.

3. Public Sector -- a swifter advance toward boardroom representation is envisaged. Government heads of nationalized industries should start discussions with the appropriate unions immediately.

Both collective bargaining and employee representation are to be through a single channel in the J.R.C. But any homogeneous groups over 100 should have the right to appeal to A.C.A.S.

4. Parity -- The White Paper favours employee representation having one-third of seats on supervisory boards as a "reasonable first step."