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The Changing Balance of Power in New Zealand Industry

F. R. A. HELLABY*

INTRODUCTION: "Liberty is the Luxury of a Disciplined Society"

I want to consider the future outlook for industrial harmony in New Zealand. Free enterprise is under threat from many quarters and free enterprise, of course, is really personal liberty. Unless we can identify and promote the disciplines necessary to preserve our liberty, we will suddenly find it is too late, and our individual freedom which we hold to so dearly will have gone forever.

At the 1977 Employers' Federation Convention Mr Phillip Jones, a permanent executive of the Confederation of British Industry, outlined the current industrial scene in Britain. The British situation has many frightening implications for New Zealand, which we just cannot afford to adopt in this country. Fortunately, there are a number of aspects about our New Zealand way of life which should allow us to avoid some of the deep bitterness which has been engendered by the class distinctions in that country. But, we must be aware that there is a complete change taking place in the balances which hold our society together.

Until the late 1960's relationships between employer and employee were held in balance by a system of confrontation and respect for each other's collective muscle when the differences came into conflict. The employer maintained his right to hire and fire and the employee had to labour under the fear that he could always lose his job. For his own protection the employee joined a union and, over the years, gained, by collective strength, improved employment contracts, pay and other benefits. The strength of the employer was, by and large, in balance with the union. However, a situation that depended on an equality of strength in conflict, did not give much consideration to the changing of human values. In the great social changes that swept the western world in the late sixties, it was inevitable that the demand for more freedom and opportunity for the worker would in the end break down the old balanced relationship be-

tween employer and worker.

Unfortunately, management and unions were not really prepared for the speed with which the changes came about and, consequently, we are suffering now as we endeavour to build a new relationship. The great difficulty, of course, is to re-educate both parties to their new responsibilities. Many employers and their managements are feeling that they have lost their rights to manage but, in far too many instances, they have given that right away because they have not understood the fundamental change that has taken place, and they have not tried to adapt to the new style of management now required. On the other hand, many of the Union leaders are now finding themselves in a role with bargaining strengths and authority they had never realised they could muster, and some have not, as yet, discovered that their new found strength requires them to exercise a much greater degree of responsibility, leadership and understanding towards society as a whole.

The steady self-destruction in Britain of some of the major industries, because of a lack of responsibility and control by the unions, is only too evident. However, it is easy to be critical of the unions for this lack of understanding and commonsense but we should also remember that management is not blameless. They have allowed this situation to develop because they have not adapted quickly enough to providing

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the necessary guidance and leadership to meet the change in the balance of power. Unfortunately, this situation of conflict and lack of leadership is highlighting the danger signals governing our future liberty. In this paper I hope to give some positive views on how I think some of these issues should be tackled.

THE ROLE OF GOVERNMENT

First, let us look at the role of government. Significantly, the more governments get involved in legislating for industrial relations, the more vulnerable they become, and a number of governments in western democracies in recent times can trace their defeat at the polls to the introduction of some ill-prepared industrial legislation. Clearly, for example, political intervention has not helped to resolve the problems of industrial relations in Britain. Both Labour and Conservative Governments have been, in turn, voted out of office in recent years through their mis-management of the industrial relations scene. Both have lost office, largely through lack of the one thing which all parties preach as being essential to improving industrial relations, and that is communication with the parties concerned. But the worst feature seems to be the fact that legislation works contrary to expectations and ends up by heightening the differences between managements and workers, not lessening it. Legislation in industrial relations has come to mean restrictions, penalties and barriers. It means people are directed rather than guided, and the whole aim of the exercise of bringing people together is lost. Mr Lindestad of the Swedish Employers Confederation, outlining the success which Sweden initially enjoyed in employer and employee relationships, had this to say:—

"The trade unions in reality accepted the old compromise from the beginning of this century that employers should negotiate collective agreements with trade unions, and that trade unions should recognise the rights of the employers to manage the companies, supervise and distribute work. The trade unions, of course, wanted to be consulted before decisions, but they did not for a long time want to take any managerial responsibilities. And they did not want

Government to interfere with the labour market. It was their pride that everything in the labour market should be solved through negotiations."

The Swedish Government, however, began to put into legislation the basic agreements which had been reached between the workers and the employers but, the more they legislated, the more they destroyed the balance between the two parties, so that, today, there are once again sharp differences between the employers and the workers which they are trying to mend by returning to the table together without the Government being involved. In a recent article on German Industrial Relations, there was a similar reference to a growing breach between employer and employee over the new legislation covering Board representation for the workers.¹ I would hope that our Government will take heed of the experience overseas. Their role should be to provide the machinery to assist in problem solving—not to create penalties or restrictions.

THE ROLE OF THE TRADE UNIONS

When we look at our industrial scene, I think it is important for all of us to realise that the problems of strikes and industrial disruption are centred on a very small number of organisations, but the organisations affected are generally large, both in the numbers they employ and in their influence on our community. There are very few small companies or small factories that suffer any industrial problems, which seems to indicate that small work forces are able to enjoy better working conditions and better relationships with their employers or managers. The association of the worker with his employer is at the heart of all good industrial relations. If the workers can identify with their employer or their immediate manager or foreman, then there are generally good relationships.

The problem really lies amongst those companies and State organisations where there are large work forces grouped together, often working in monotonous routines and seldom having any connection with those who are responsible for managing and directing such enterprises. The

¹—Economist, 26-2-77.

skills which management must exercise in these areas of employment have to be at the very highest level. The vulnerability of these companies and State organisations to industrial pressures is well-known, and well recognised, of course, by the militant wing of our community. And yet, I believe, many in the trade union movement, along with many in management, have the same goal in seeking stable industrial relations.

I am certain that one of the difficulties is that senior management will not communicate frequently enough with their counterparts in the union movement in an effort to find a common basis for industrial harmony, as well as finding a system for sharing the financial rewards. There are common aims, although both for some unjustifiable reason, because they consider themselves to be apart, take public stances which often seem to indicate a wide difference of view. Unfortunately, publicity often seriously inhibits the opportunity for both to come together and, for this reason, it can be just as divisive and restrictive to good industrial relations as I have indicated can occur with legislation. When the community as a whole can accept that it is a good thing for union leaders and employers to meet together regularly and not to be suspicious of the motives, our industrial relations will take a massive leap forward. Most major unions overseas employ skilled staffs and are well advised on economic matters and, when they meet with employers, they do so on much more equal terms as far as commercial understanding is concerned, than they do in this country. I do foresee and, as an employer, I certainly do not resent the fact that unions are going to be much more involved in the economic fortunes of our business and, therefore, their understanding of business has now become essential. The really great danger in our community today, as the strength in industrial power shifts to the unions, is that, without their accepting responsibility and without their being properly prepared for such responsibilities, they can, through their ignorance of the economic consequences, pressure companies into destruction. It is essential that unions understand and accept their new responsibility.

MANAGEMENT'S CHANGING ROLE

I have mentioned that in some cases

management appear to have given away their rights to manage. The change in management's role through the shift in bargaining strength to the union has, unfortunately, made some managers feel incapable of coping with the situation and they are tending to manage by crisis rather than by true leadership and direction. Frankly, I believe that management is required to manage more today than has ever been expected of them in the past, because it is essentially management's role to find the way by which we can meet these changes that are taking place. A manager who does not accept this challenge should pull out now.

Greater education, greater social services in the way of superannuation and medical care, greater leisure time and improving pay has made the worker far less dependent upon his employer than used to be the case. The ownership of bricks and mortar does not give management any longer the unassailable right of hire and fire over his employees. Managing by threat and dismissal is no longer possible but, instead, management by direction and leadership must now be the only acceptable form. Management must now become more professional in maintaining its understanding of human relations, there must be much more consideration given to the role of management and its application to the work force, and management must be developed to the highest level right at the workplace.

The more one looks at the experience overseas where many systems of worker participation have been tried, with varying success, the more it becomes abundantly clear that it is at the workplace level where the real work of improvement in industrial relations and management attitudes must take effect. Although I have just referred to the importance for senior management and union executives joining in an effort to establish common goals, nothing will be done or gained unless all employees feel that they have a share in those goals. If existing managements are to continue, it is they who must give the lead to the employees at the workplace, not the unions, because it is a feeling of participation with management which is important.

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in Spain which have joined as a worker co-operative and where the Board of Directors is elected by the workers and that Board then appoints a professional management so that, in effect, the management is directly responsible at all times to the workers. Such a system of worker control is being widely propounded as the ideal socialist concept for eventual industrial reorganisation. I wonder how some of us would react towards our employees if we were dependent upon them to elect us to a position as manager. No doubt some of us would be relieved to know that they actually needed us. Fortunately, it seems that few workers want a role in management and that most of us who are involved have set out to become managers from an early stage in our careers. But, clearly, if we were elected by our workers, the one thing that they would expect of us is that we would manage. Therefore, I am sure all of us would take a good deal of care in understanding our role as manager and we would make sure that we were well prepared.

It is interesting to consider for a moment those aspects of management directly related to our workers which we would judge important. My list would include making sure I was known and fully involved with the workers. I would be anxious to know that my staff of supervisors were well trained and, as they were acting on my behalf, I would make sure their performance was all it should be. I would consult with as many as possible on changes in the business and would want to maintain regular discussions with all workers, for people like to know about matters which directly affect them. I would feel very responsible for the success of the business because their wages and mine would be tied to that success. I would expect them to be less demanding on benefits if it meant that the company was able to expand and develop. I would make sure that the working conditions were harmonious and designed to give the optimum comfort and assistance.

Many senior managers, of course, do have a close understanding with their employees but in the large companies that burden falls on supervisors and foremen and it is their training which is often neglected. After all, they are expected to lead the company's approach on a direct face to face basis with the worker. These are

the men who are acting for the employer or senior management. They must be given training so that they can have the confidence and skill to lead workers and create the atmosphere where a worker can feel he is welcome and able to participate in the organisation.

PARTICIPATION SCHEMES

It is very clear the really effective participation must come from the shop floor up. No legislation or direction from the top to join in Works Councils, or sit on Boards of Directors, works if it does not in some way touch the ordinary worker. Works Councils that have been set up from above tend to pass direction to workers rather like autocratic managements, and the resentments remain, but Works Councils that grow from the shop floor are more aware and understanding of the real problems. In the "Economist" of 26 February, in an article on Germany and its recent legislation compelling companies of over 2,000 employees to accept equal worker directors on company boards, it had this to say:—

"The system could also alienate workers who, with good reason, fail to understand it, for the suspicion may grow that behind all the complexities a new power block, made up of managers, shareholders and a workers' elite, will be created But the system may also mean that there is a new equality less immediately apparent — between those who can make their way forward in an established, conformist system and those who either cannot or who remain outside it."

Director participation, I believe, will achieve nothing unless the average worker is allowed to feel he has more say for himself in his immediate job. I am sure there is merit in workers setting their own style of working, providing they are prepared to meet or better production targets. They seem to want to enrich their job satisfaction by using their own ideas. Certainly such systems are tending to attract the younger members of the labour force, and, to some extent, are helping to combat absenteeism. Younger workers today have been educated to a much greater degree than earlier generations and it is understandable that they are not going to accept the drudgery of the production line, with-

out trying to make it more interesting. I am certain managements will need to give time to their workers for discussion and, in many cases, they will have to help with the education of their workers in simple communication exercises like those taught to supervisors in Job Relations and Job Instruction courses. Education and opportunity at the shop floor level will eventually bring forward the suitable applicants for eventual seats on the Board, just as still happens in many smaller businesses today. How often has success come to those who have worked their way up in a company. After all, worker participation is extending that opportunity to many more persons, thus making it a more competitive road to the top.

If legislation, directing Boards to accept worker representation, is introduced too early, the chances are that the men that will fill those seats will be men who have learned only one skill, and that is forceful negotiation. In the difficult situations in which most businesses work today, such a narrow approach at Board level would, I believe, be disastrous, particularly for companies who are operating in fierce competitive trading situations, and for those companies who are capital intensive. Yet, given the time for education and preparation for the role, such participants from the worker ranks can bring real advantages to many companies.

THE ROLE OF THE INVESTOR

I have concentrated primarily on employer and employee relations and I can well imagine some are asking: "What is the role of the Investor in all this?" — the man, who by his initial investment, has created the jobs for these workers and their managers. There is obviously little attraction for an investor in companies that are torn by industrial strife or whose managements do not seem to be in control of the business. In the end the investors' participation is vital to both worker and manager, and this is probably one of the biggest areas of education necessary with the worker to make him see that his ultimate progress and security will be inhibited unless he recognises the role of the investor, and recognises that he, too, is entitled to his share of the cake. I believe the investor's role, which is somewhat eclipsed at the moment, just as is the

manager's, will once again become fully recognised in the development of our industry, particularly if the investor will understand the changes that are now taking place in the roles of the worker, manager and investor.

SUMMARY

I have endeavoured to indicate that there has been a massive change in the balance of power between employer and worker during the past ten years. They are changes which I believe were necessary in the human relations field, and I do not see any way in which the clock will be turned back. I am certain now that we will achieve industrial harmony more quickly and with a great opportunity for long-term success if employer and employee set out, without Government legislation, to establish new criteria for a harmonious working relationship and the sharing of the industrial cake. Intervention by Government by legislating for human relationships before they have been established is, I believe, disastrous. Employers, therefore, must ensure that there is time for discussion and planning with union leaders. Union leaders must accept their new role of authority in society and accept the responsibilities which now go with it; they must be prepared to understand the economic pressures and balances in our society which, if mixed correctly, will allow the cake to grow larger and thus give greater shares to everyone. Managements must realise they are there to manage and, if they cannot accept the changes that are now with us, they should get out; they must have a more professional approach with a greater awareness for the employees; and they must introduce greater training of their staff so that leadership can be given to employees at the workplace level. Participation must develop from the shop floor — not from the top down — and education must be given to workers to allow them to participate and express themselves. If participation means an eventual seat on the Board for worker representatives, then one would hope those representatives would come with the goodwill of all in the business and they would come fully prepared to take their part in Board matters. In all this we must realise that business needs capital and the shareholder today must be more attracted to placing his money in business than he

is at the moment. Industrial harmony will give that confidence and his return should be commensurate with the result that industrial harmony brings to a business.

Finally, despite the way it all sounds, we are very close in this country to the Utopia I have outlined. Many of our man-

agements already operate in the smaller companies with close participation with their workers. If the approach can go a little further up the line, then I believe New Zealand could lead the way in Industrial Management. ©

Worker Participation in Management: A Dimensional Approach to the Current Debate

ALAN WILLIAMS*

INTRODUCTION:

During the last few years discussion on worker participation in management has assumed international proportions, as labour organisations, employers and governments investigate as well as operate various systems. At the same time, discussion has not been without difficulties over methods of both design and implementation. The result according to one critic has been considerable semantic confusion over objectives, definitions and purposes.¹ This has led to a situation where:

The objectives and meanings of participation differ as widely as do the purposes of the groups propounding the idea, and rarely can one assume that two different interest groups are talking about the same thing.²

Theories range in a wide continuum from the dimension of 'replacement ideologies' which call for substantive changes in the nature of common perceptions of the socio-economic nature of society. They further embrace administrative central initiatives by governments operating in the field of political decision making; organisational models of consultative practices employed by executives, and genuine attempts to include employees in the total decision making process. In yet another dimension, developmental activity has con-

centrated on methodologies of individual satisfaction in the work place through various forms of work autonomy, job enlargement and job enrichment. In the individual dimension yet again, theorists have argued for the participative goal of individual 'self-management' in the enterprise.

This article will attempt to assist the debate in New Zealand by making an attempt to categorise selected dimensions of argument within broad guidelines. Attention will focus on contemporary Western discussions in most cases. The reason for

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1—S. Archbold 'The Dimensions of Participation,' *Journal of General Management*, 3, 3, Spring 1976.

2—Archbold, *Ibid*, P. 52.