

EDUCATIONAL FORUM

COURSES and SEMINARS

13-14 October:

INDUSTRIAL RELATIONS SEMINAR, Rotorua

The Bay of Plenty Trades Council Industrial Relations Seminar for Union and Management representatives will be held on 13 and 14 October in the Conference Room, Rotorua International Hotel, Rotorua. Topics include: Amendments to the Industrial Relations Act (1976) and Trades Unions and the Law. Fee: \$15. Registrations to Mr R. A. Rogers, P.O. Box 1523, Rotorua.

3-6 November:

TRADE UNION LEADERS SEMINAR (2nd of 2 parts)

The second three-day residential seminar for trade union leaders, organised by the Industrial Relations Centre, Victoria University of Wellington, in conjunction with the New Zealand Federation of Labour and the Combined State Services Organisations, will be held from 3 to 6 November at Trentham. ©

REVIEWS

Worker Control and Influence: A Review of the Bullock Report

B. J. DIVE*

Introduction

In the last two or three years there has been considerable talk in Europe about industrial democracy, or employee participation. In Northern Europe the discussion is often about employee representation at Board level but for some the real issue is worker control. This emerges from considering recent developments such as:

Bullock Report on Industrial Democracy, UK, January 1977; Swedish Law on Democracy at the Work Place, 1-1-1977; German Amendment to Co-determination Act, 1-7-1976; Meidner Report on Profit Sharing in Sweden, October 1975.

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Bullock Report

The most relevant of these for New Zealand is the Bullock Report which purports to be a Report on Industrial Democracy. There is always much debate about the nature of Industrial Democracy, or any form of democracy for that matter, but the Bullock Report's viewpoint on this subject is uniquely narrow. The blame for that though should be most fairly laid upon the Labour government which drew up the terms of reference in August 1975.

The Terms of Reference

The terms of reference given to the Bullock Committee already pointed it in a certain direction.

"Accepting the need for a radical extension of industrial democracy in the control of companies by means of representation on boards of directors, and accepting the essential role of trade unions in this process . . ."

Right from the outset then the government equated Industrial Democracy with board representation. The Bullock Committee subsequently extended "representation" to mean "control" as becomes clear from their report.

Majority/Minority Reports

The Bullock Report is in fact two reports, a majority report and a minority report. This lack of agreement by the committee seriously undermines their findings and recommendations. The split reflects the very divisiveness of society on this topic of worker directors.

The Majority Report is largely the union viewpoint since it is the opinion of three trade unionists, three academics and a solicitor — seven people who it seems have no practical first hand experience of company boards. Even so the solicitor, Mr N. S. Wilson, has also appended his "Note of Dissent" pointing out where he disagrees with aspects of the report he supports!

The Minority Report is the work of the three senior executives from the private sector who were appointed to the committee. The main difference between the two reports is that the majority report favours parity between Worker Directors and Shareholder Directors within a unitary Board while the minority report favours the two-tier board system which is also advocated by the EEC Commission. The minor three referred to the majority report as a "far from satisfactory or even wise remit."

It could be argued that such an indictment from a significant number of the committee's own members really means the Bullock majority report is a statement of failure. However, since it is the majority report which is often mistakenly referred to as the Bullock Report the rest of my comments apply to the majority report.

Majority Report

The major seven first argue that in their opinion the best way to achieve worker involvement is from the top down. Swedish experience, especially the new law on "Democracy at the Work Place" clearly contradicts this assumption as I will show.

Nevertheless, given this assumption they next reject the possibility of a statutory two-tier system for two reasons:

1. "In its desire to preserve the freedom of management the powers of the Board on which the employees are represented would be limited and thus employee participation would be very restricted."

No evidence is provided by the Bullock majority to support their belief, a belief contrary to the findings spelt out by the EEC Commission in its Green Paper: "Employee Participation and Company Structure."

2. "It would impose strains and tensions on decision making at top level, by requiring the adoption of a rigid and alien board structure."

Alien here means introduced from another country. In the case of two-tiered board structures, Germany is the most often quoted example.

An alien board structure is not per se a guarantee of failure. When the new co-determined Board was set up in Germany in the coal, iron and steel industry it was "alien and rigid." It is now a commonly accepted blue print for successful worker participation.

Earlier in their report the major seven admit that "many UK companies have developed a de facto two-tier system." In their own words the facts disprove their case.

The crux of the issue is that de facto two-tier systems have not yielded the worker control the UK unionists desire hence their preference for suggesting a new unitary board system which is in fact very rigid and very alien to present British practice.

2X plus Y

In chapter 9 of the majority report the formula 2X plus Y for board compositions is put forward for companies with over 2,000 employees, "where X represents the number of employee representatives and also represents the number of shareholder representatives and Y is the number of co-opted Directors."

After praising the flexibility of present company law which enables companies to decide their own number of Directors the majority report becomes enmeshed in a discussion about numbers of Directors on Boards. Their "fallback solution" is for a company of

2,000- 9,999	X equals 4;
10,000-24,999	X equals 5;
25,000 or more	X equals 7.

"Y Directors should be an uneven number greater than 1 and form less than 1/3 of the Board."

The rigid formula which results from this number juggling exercise states that for companies of 2,000-10,000 employees the Board must comprise at least 11 Directors; 25,000 or more employees, at least 17 Directors. These proposals would destroy the present flexibility of company law concerning the structure and composition of company boards.

Proposed Directors' Duties

In chapter 8 the envisaged Directors' Duties are spelt out:

1. Winding up of company;
2. Changes in the memorandum and articles of association;
3. Recommendations re dividends;
4. Changes in the capital structure of the company;
5. Substantial disposals;
6. Allocation of resources, not in 1-5 above;
7. Appointment, removal, control and remuneration of management.

These duties do not demand a unitary board, they are perfectly manageable within a two-tier system. Although note 7. has been extended to cover more than Directors, as at present, and 5. is gloriously vague, otherwise they contain nothing new.

Democracy from the Top Down

The majority report argues that the best way to achieve Industrial Democracy is from the top down. This flies in the face of British industrial history which, right or wrong, has been a struggle from the bottom up. British Industrial Relations has been

and still is a confrontation model usually based on a win/lose power struggle. It is not based so clearly upon collaboration and legislation as in Germany and Sweden.

On 1st January this year the Swedish Act "Democracy at the Work Place" became law. Previously, since the famous December Compromise in 1906, the Swedish unions had accepted the unrestricted right of the employers to direct and allocate work and freely hire and dismiss workers. Now it is the duty of the employer to inform employees beforehand of **all** matters that can influence them (right to be informed). Then if employee representatives do not agree with the proposed plans they are entitled to negotiate (right to negotiate). Finally there is the right to collective agreement at national level if local agreement is not reached.

The aim of this act is to be democratic where the work is being done rather than simply in the Board room. This is reinforced by the fact that there are customarily only two Worker Directors on a Swedish Company Board.

Experience in the one country that has known over 160 years of peace, about 40 years of socialism based upon a virile wealth producing private sector and which has a collaborative approach to Industrial Relations, has apparently been ignored by the Bullock Committee.

Union Status Quo

A fundamental shortcoming of the majority report is its acceptance of the current UK union structure. The existing proliferation of something like 488 unions with a craft/guild heritage is unworkable in a modern industrial state. This is compounded by the fact that Bullock is aiming to **have** trade unionists on the Board not employees. Germany has employee representation not trade union representation. In Sweden worker directors can be union members, but they must first be company employees.

The role of the shop steward or need for his existence is not discussed. The power network of the shop stewards is not touched by these new proposals. Many continental Europeans see the shop steward as the sand in the oil of UK Industrial Relations machinery.

An overhaul of the trade union structure and legislation rather than the Board Room would seem to be a more logical starting

point for a Committee of Inquiry on Industrial Democracy in countries such as UK and New Zealand.

Legal Enforcement Inopportune

It is one of the paradoxes of the 20th century that well established political democracies can be immature industrial democracies. The majority report expects to move overnight from a situation of minimal participation to an advanced stage of employee control. This runs counter to Swedish and German experience. In Germany after experimenting for over 20 years, and even accounting for last year's extension of the Co-determination Act to achieve parity in companies of over 2,000 employees, ultimate control still lies with the shareholders. The majority report believes that anything less than immediate worker control is not viable.

In 1975 the Swedish blue collar trade unions also argued in favour of worker control via the Meidner Report on Profit Sharing. The aim was to build up central employee funds controlled by the unions. This way within 20 years the unions would own most of the private sector and would therefore control industry.

Even in Sweden, with its long history of collaboration such a proposal provoked heated debate. It has been virtually shelved in the meantime as unworkable. Yet the Bullock Report is even more radical. Without Sweden's positive history it advocates immediate control — where even Meidner would work towards this goal over a 20 year span.

Legal enforcement in the field of employee relationships has an unhappy track record in the UK. The recent fiasco over the Industrial Relations Act was a lesson which most members of the Bullock Committee have either forgotten or chosen to ignore.

No Social Research

In a report signed by three academics it is surprising to find no evidence gleaned from social research in a discussion about the numbers of Directors a company should have. The Majority Report is pre-occupied with numbers only to the extent of avoiding the possibility of a split vote. The effectiveness of working groups or the findings of group dynamics are nowhere referred to. Their premise seems to be that people are never absent from Board Rooms on account of business or sickness. Finally

even if the numbers they propose are workable (and they do not seem able to conceive how Boards operate in companies of more than 25,000) then this will be a laudable by-product.

One Sided Concessions

Given the terms of reference and the two reports it is arguable that the Bullock Commission is largely a political instrument. Despite this the majority report is politically and psychologically unrealistic.

While leaving the current union network unchallenged, and if anything substantially reinforced, the majority report does not hesitate to dismantle the Company Board Structure. It acknowledges that quite a number of current Directors will lose their present positions. If the power of the shop steward is apparently sacrosanct it is rather optimistic to expect only Directors to yield power. As indicated above the whole union structure needs revamping and a more astute Bullock Report would have noted that.

All the concessions have to be made by one party, the present Board of Directors. Consequently, even if one could agree that the substance of the majority report was sound, it is still tactically naive. It is therefore already encountering the intense opposition which scuppered the Industrial Relations Act.

Value Judgements of Committee

In chapter 4 the majority report carefully outlines the different viewpoints favouring various forms of Industrial Democracy. Those it rejects are on the grounds of insufficient supporting evidence. As the majority report rightly points out these various viewpoints are really based upon opinion not fact. Most are about possible

future developments, not the present situation.

But after identifying and rejecting the value judgements of others, the majority report puts forward its own recommendations which illogically are also based upon opinion not fact. The majority report is speckled with the phrase "we believe," from which it emerges that the majority report is itself no more than a point of view probably more untried and unproven than those other opinions so summarily discounted.

Conclusion

The Commission was asked to consider how workers could be represented on the Boards of Directors not produce a blue print for worker control. Its partisan reports are a disservice to Industrial Democracy.

The majority report (written by non-Directors) clouds many important issues. Nevertheless this should not distract us from the fact that we still have to build a successful Industrial Democracy.

I believe Personnel Managers in particular have a critical role to play in establishing a realistic, coherent and effective Industrial Democracy. In a period of increasing role confusion they straddle the interests of employees and employers. The importance of their task was put in sharp perspective by Lord Bullock himself on 27 January, talking about employee representation:

"We are at the beginning of a change which . . . is comparable with the managerial revolution earlier this century which transferred the effective control of companies from the shareholders to those employees who manage the business." ©

The Report of the Commission of Inquiry into the Heavy Engineering Industry.

R. F. GAPES*

Presumably as a result of continuing difficulties and recent stoppages in the Heavy Engineering Industry, especially on such projects as the new Bank of New Zealand building in Wellington, a Commission of Inquiry was appointed on 8 November 1976. In accordance with the Commissions of Inquiry Act 1908, the Commission, Messrs R. K. Davison and J. W. Dempsey, were to enquire into and report upon:

- (a) The factors that had contributed to the closure of individual undertakings in the Heavy Engineering Industry over the last decade;
- (b) How any such factors or other matters prejudicial to the continued viability and efficiency of existing undertakings within the Industry can or should be removed or avoided;
- (c) Any associated matters which the Commission may deem to be relevant to the general purpose of the Inquiry."

An extension of time was granted such that the Commission reported on 2 May 1977, having held public hearings in Christchurch, Wellington and Auckland during February and March 1977. Seventeen companies were cited, together with the New Zealand Engineering Employers Association, five Unions and the Wellington Boilermakers Society Inc. Appendices to the Report set out the names of 46 witnesses and numerous other companies and parties who contributed to the enquiry.

From an industrial relations viewpoint, the key conclusion of the Commission stems from substantial evidence concerning union activities in cases of the closure of 11 boilermaking undertakings carried on by nine companies, closures which took place in the last decade. In this key matter, the Commission concludes, "It is our opinion that the cause of the closure of the companies which gave evidence before us, as earlier referred to, was declining profitab-

ility influenced in varying degrees by all the problems affecting profitability as discussed earlier in this Report but due primarily to the disruptive tactics and restrictive practices imposed upon them by certain sections of the Auckland and Wellington Boilermakers Union."

The bulk of the report of the Commission outlines in some detail the specific background of operations and experiences in undertakings which had difficulty in the industrial relations field. Of the companies which closed down operations and which made submissions before the Commission, all listed industrial disharmony as the prime cause of the closures. The Commission noted that in some instances industrial practices put into effect by some boilermakers have been unjustified, disruptive and blatantly in breach of both the Award under which they claim to have protection and of Industrial Law.

It is interesting to note some of the points reported. Disruptive practices fell into categories including

- (a) Demarkation Disputes; such as arguments with members of the Engineers Union over who should work on plate of a thickness greater than $\frac{1}{8}$ ", refusal to use overhead cranes, and claims to all welding work.
- (b) Refusal to follow lawful procedures; including unlawful go-slows, interference with lawful dismissal of employees, and the so-called "work to rule."
- (c) Restrictive practices; including refusal to work overtime, mysterious disappearance of working drawings, setting fire to welding rod packages, producing smoke nuisances, the union nominating which members would work overtime, absenteeism on Fridays followed by attendance on Saturdays for work at extra rates, insistence on a Boilermakers Union nominee being engaged for employment ahead of any other member of the Union (which is said to have enabled the Union to infiltrate troublemakers into company operations).

The Commission reported that such problems were most common in the Auckland and Wellington areas and noted that elsewhere there were firms who had rela-

* R. F. GAPES is a Consultant in Engineering and Management, and Deputy Chairman of the Auckland Technical Institute. He is co-author of the Study of the Heavy Engineering Industry mentioned in this review.

tively little trouble. Further, the Commission did recognise other factors in declining profitability and (venturing outside the purely industrial relations' aspect) one notes that the Report includes some thoughts on the tendering system in New Zealand and on problems caused by contract escalation and the inability of contractors to recover excessive costs due to unexpected labour cost rises. Readers who are interested in the wider aspects, will find that the Commission drew extensively upon the Industry Study concluded in March 1976 for the Minister of Trade and Industry, entitled "The Heavy Engineering Industry in New Zealand," authored by R. F. Gapes (Engineer) and W. D. Rose (Economist). Both the Report of the Commission and the Industry Study noted that firms reported deteriorating labour efficiency and considered there was a decline in productivity noticeable, even purposeful, in relation to activities involving boilermakers. Both felt that amalgamation of unions is a solution, for it seems that the fragmentation of the Boilermakers Union leads to opportunities for disruption which are not generally acceptable in the community. In specific reference to the Industrial Relations Act 1973, the Commission Report states, "It is our view that it is not the procedures that are defective but the attitudes of certain parties to the observance of those procedures. No words in any statute or award can compel a party to follow a procedure if that party is determined to break the law and refuse to do so. We are of the opinion that no change in the provisions of the Industrial Relations Act are required to meet the present situation, rather that it is the attitudes of the parties to the observance of those procedures that will determine their success or failure." Representatives of the Unions in general agreed with the principles of considering a Metal Trades Federation and increased consultation between unions. It was pointed out that there is a natural progression to the reduction of the number of unions in New Zealand. All parties agreed that amalgamation of Unions should be voluntary and not compulsory.

The Commission recommended that Industrial Relations Committees be established (as described in the Northern and Wellington Boilermakers Awards) and dealt in general terms with suggested improved

selection and training procedures for supervisors and improvement in management training. It is significant that the Industry Study earlier had come to similar conclusions, in the sense that Joint Consultative Committees or Works Councils were recommended, along with an Industrial Relations Officer temporarily established to encourage and assist firms in the setting up of Consultative Councils. The significant point lying behind all this seems to be, that contacts at individual levels between management and employees need (in themselves) to have sufficient successful transactions to be reasonably worthwhile activities. Although not of momentous proportions themselves, such contacts are important in that the pay-off for all is in the area of "changed attitudes." To quote from the Industry Study, "The communication and the sense of involvement will stand all parties in good stead when more difficult problems arise, as they inevitably will do from time to time. One point, which follows from this, is that a particular pressure group (be it union or employer oriented) would then find it harder to monopolise the constricted lines of communication which result from any established situation of confrontation."

In summary therefore, it seems the Commission was satisfied, from the evidence given, that specific and unlawful actions had substantially aided the closure of important engineering works and that such matters as amalgamation of unions and improved attitudes (achieved voluntarily if possible) are essential. Those interested especially in these Industrial Relations aspects should not divorce from their thoughts the consideration given to important matters such as proper long-term planning and the balancing of load and capacity in the Industry. Without some reasonable expectation of a satisfactory level of work, neither employers nor employees find themselves in an environment conducive to continuing smooth relationships. The 'feast-or-famine' work conditions which have prevailed in this Industry have not contributed to good industrial relations, and there are those who consider this a prime reason for the Boilermakers Union/Management difficulties encountered and so extensively documented by the Commission of Inquiry. ©

BOOKNOTES

A. J. Geare, **Wage Payment Systems**, Methuen, New Zealand, 1977

It is refreshing to have Alan Geare accept money as a motivator. Only the most enlightened human relationists can stomach this view and yet it is inherent in job contracts, new appointments, negotiations, union discontent and executive job movement. In fact everyone, from the Governor-General down to the young tertiary bursary student is basically self-seeking in terms of remuneration.

All payment systems have to contain elements which appear to be psychologically satisfying. Thus we become involved in time rates, merit systems, group systems, profit sharing, measured day work and productivity bargaining. Alan Geare deals with all of these in a most practical fashion, not only describing the systems, but also discussing the pros and cons of each system.

Most of the schemes emerge as systems which are designed to please someone. Work forces appreciate a scheme that seems to benefit them. Managers appreciate systems which minimise the demands on company income.

Two social issues seem to have completely fouled up the various wage payment systems. One is equal pay for women which has sorely distorted the economy to the detriment of women in terms of cost of living. The other is inflation which effectively destroys one's belief that merit is being rewarded — because merit disappears in general wage increases of singular magnitude.

Especially useful are chapters nine to eleven giving notes of special value to personnel people on work study, job evaluation, and installing a new payment system.

This book is recommended reading for anyone dealing with payment systems and interesting reading for managers and academics.

©

J. C. ELMSLY

BOOKS RECEIVED

Davis, L. E., Cherns, A. B., and associates, **The Quality of Working Life**, volume one: 'Problems, Prospects and the State of the Art; 450 pp., volume two: 'Cases and Commentary,' 387 pp., New York, The Free Press, 1975, \$NZ7.20 per volume.

Richardson, R. C., **Collective Bargaining by Objectives**, Englewood Cliffs, New Jersey: Prentice-Hall, 1977.

Reminder:

ANNUAL GENERAL MEETING

The Annual General Meeting of the Industrial Relations Society of New Zealand Incorporated will be held in the Discovery Room, Royal International Hotel, Victoria Street West, Auckland on

MONDAY, 29th AUGUST, 1977

commencing at 6.00 p.m.

The Industrial Relations Society of New Zealand Incorporated

was founded in 1974 by a group of people drawn from management, government, trade unions, the legal profession and the universities, who saw a need to improve communications among those working in all areas of industrial relations and to promote a wider understanding of industrial relations problems and practice in New Zealand.

The primary aims of the Society are to organise and foster discussion, research, education and publications within the field of industrial relations, and to bring together industrial relations practitioners to exchange ideas, share experiences, and develop greater understanding of industrial relations matters.

Enquiries concerning membership of the Society and subscriptions for the New Zealand Journal of Industrial Relations should be addressed to:

THE SECRETARY,
Industrial Relations Society of New Zealand Incorporated,
P.O. Box 1341, Auckland, New Zealand.

The New Zealand Journal of Industrial Relations is the official journal of the Industrial Relations Society of New Zealand Incorporated. However, views expressed by contributors to the Journal are their own and do not necessarily reflect the views either of the editors or of the Society. The Journal appears three times a year, in May, August and November and regular features include:

- ◆ **Articles** that contribute to the advance of knowledge directly related to the practice of industrial relations in New Zealand or to the development of theoretical perspectives on industrial relations issues; the editors will strive to maintain some balance between the presentation of research findings and more speculative articles;
- ◆ **A Chronicle** of current industrial relations events in New Zealand and comments by regional correspondents in Auckland, Wellington, Christchurch and, for a view of the Trans-Tasman scene, Sydney;
- ◆ Reviews of recent **cases in industrial law** and discussion of topical legislative matters;
- ◆ **Book reviews** and **research summaries**;
- ◆ **Opinion pieces** from members and correspondents, including literary contributions;
- ◆ **An educational forum** giving notice of forthcoming meetings, conferences, seminars, educational programmes and other activities of interest to New Zealand readers.

Articles and contributions for the Journal should be submitted not less than six weeks prior to the date of issue and addressed to:

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