towards a worker managed economy

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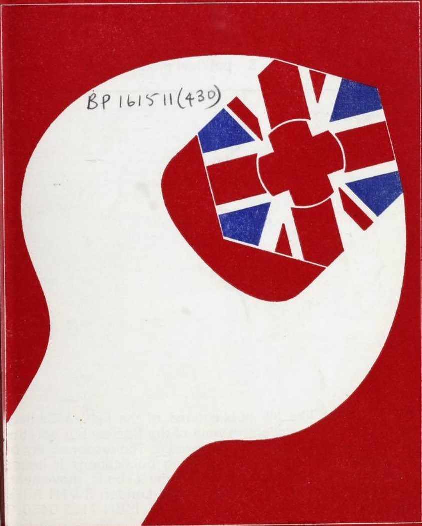

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1. introduction

Our present system of managerial capitalism is based on the precedence of property rights over people. It allows management hierarchies to perpetuate a feudal authority in their own spheres, diminishing other men, long after feudalism has been rejected in the political sphere. While the powers of management have been contained by trade union organisation, and have usually been balanced by the market power of consumers, the precedence of management is amply attested by the high salaries they award themselves, and the prerogatives they maintain.

The simple demand of the trade unionist for more money for the workers, with nationalisation the cure-all when industries cannot pay, has been demonstrated as incapable of fulfillment if managerial power over the distribution of wealth and incomes is left intact. The demand merely adds inflation to injustice, if it is left as a narrow demand.

The authority of management, and managerial capitalism itself, is being challenged by the spread of education among the managed, by the outright rejection of management sanctions such as arbitrary dismissal, and by the increasing complexity of organisations which cannot be controlled by hierarchical decision systems.

To enable people to live fully, and to enable society to reach the levels of organisation needed for the mass of the people to live in freedom and with responsibility at the material standard of living they expect, we have to make the transition from managerial capitalism to a worker-managed or self-managed economy. So runs the radical argument for industrial democracy.

Others ask what this talk of industrial democracy and worker management amounts to in the face of poorly attended trade union branch meetings and political apathy. Workers, it is said are more interested in the family car and holidays abroad. They leave managers to manage, and prefer not to be bothered themselves. Management is becoming more professional and is open to the talents. Managers are taught to work by building a consensus. Directors are in practice as concerned for their employees as for their shareholders. Full employment has given the trade unions ample power to restrain any management excess, and to secure steadily rising standards for workers. Governments have not cured all economic and social ills, but by and large they can maintain conditions in which people can live their own lives in peace and happiness. Why change? Such is a kindly view to the Tory attitude.

Some would argue this is a shade too complacent. Are not the electricity and miners' strike of 1971 and 1972, and the miners' strike in 1974 ample demonstrations of trade union effectiveness, when roused? No Industrial Relations Act will change that. Is it possible to avoid high rates of inflation without trade unions playing a larger part in the management both of the economy and of the enterprise? So let the government get together with the TUC, let us have supervisory boards for companies with elected worker representatives, and let us require companies to make a full disclosure of their performance and plans to trade unions and indeed to the public. Let us require consultation and encourage participative styles of management. Such could perhaps have been the attitude of Mr. Heath faced with the realities of office, but before meeting the CBI.

In its previous position the Labour Party would not have been content with this attitude. There are conflicts between private interests and the common good which at a certain point can only be resolved by public ownership of the capital: a democratically elected government should appoint people who believe in public ownership to manage enterprises in the public interest. It was for ministers to define the public interest. The position of the worker was not fundamentally different from that in private industry, except that he knew that he was working—or being made redundant—for the common good. The Labour Party is now moving from this position. How far should it move? We will argue it is time to make a radical departure. Individual enterprises employing more than 200 people should be enabled to convert themselves into worker-controlled enterprises by the free and democratic choice of their employees. Legislation, financing, and planning systems should enable this form of organisation to spread rapidly if employees choose, so that it could soon cover the greater part of the economy.

2. the transition

The tradition of reform in Britain is to make successive changes in society which may be consistent in direction and inspired by a vision of better social order. But each change is justified in itself as it is made, and is allowed to prove itself. While this lacks the immediate grandeur and apparent logic of a complete design for a new society, the emergent system is shaped democratically by the wishes and experience of the people. It is in fact a more sophisticated and demanding course and is not fairly impugned as mere pragmatism or even opportunism.

the TUC proposal

In *Industrial Democracy* (Interim Report by the General Council, 1973, accepted by TUC Conference 1973) the TUC has already proposed trade union representation on new supervisory boards for private companies, in addition to extending collective bargaining to cover many matters currently outside collective agreements. Legislation developing European experience of two tier boards should be up a system with the following main features.

'1. Management Boards of companies employing more than 200 people should be divided into Supervisory Boards and Management Boards. One half of the Supervisory Board should be appointed by the workpeople through trade union machinery, normally at company or combine level. (This in turn will encourage the development of all of company and combine-level joint-union organisation).

2. The Supervisory Board should be the supreme body of the company, able to overrule both the Board of Management and the AGM of shareholders or owners on major decisions. Specified decisions involving major investment decisions, mergers or takeovers, closures or major redeployment should henceforth be subject to the consent or veto of these worker-representatives, as should the appointment of all of the members of the Management Board.

3. This change should be reflected by a statutory obligation on companies to have regard to the interests of its workpeople as well as its shareholders.

4. Workers' representatives should not be obliged to relinquish union office ; they should be appointed for two years and subject to recall and re-election on the basis of their total record. They would be subjected to extra-ordinary recall during this period only in exceptional circumstances, which would need to be provided for in the election procedures. Election procedures would be devised by the unions represented at the enterprise, either individually or jointly."

For the nationalised industries, the TUC proposed that legislation should be altered to make half the board trade unionists nominated by the TUC. The TUC would seek most of the nominations from unions within the industry concerned, through their industrial committees where appropriate. The board would have an executive board subordinate to it.

While the TUC proposals are a significant departure from the Morrisonian principle of the separation of powers between unions and nationalised boards, whose only trade union members were retired officers of unions from other industries, they are still limited. The TUC recognise that it is not possible to alter the ultimate power of the shareholders without altering the pattern of ownership through political means. Production, recruitment, minor redundancies, wages, prices and dividends would not require the consent of worker representatives, though some of these matters would figure in collective bargaining more prominently because of the background information gained on the supervisory board. Fuller knowledge of the background would not necessarily increase the militancy of the union members of the board, and could even put a gulf between them and their fellow workers.

The powers of veto by workers' representatives of major investment decisions, mergers or takeovers, closures or major redeployment could be important, particularly since subsidiary companies incorporated under company law are to have separate supervisory boards. There would have to be some safeguard against the formal winding up of subsidiary companies and the absorption of their assets and activities into parent companies in order to get rid of their supervisory boards. Also employees in divisions of large companies should be able to claim supervisory boards even if their division was not a distinct company under company law. The veto would work effectively against the asset stripper and the monopolist buying out a competitor to close it down, so long as the enterprise was working profitably.

But it could not keep a loss making subsidiary in business indefinitely without the support of the worker representatives on the parent supervisory board, who would be told the cost to themselves of subsidising the loss maker.

This power of veto would have a significant effect in maintaining the continuity of employment and encouraging companies to make such continuity a major objective in planning ahead. Once this became a clear objective no doubt government schemes would be introduced such as those operating in Germany to assist firms to maintain steady employment by financing stocks during temporary recessions, by the introduction of new products, re-training and so on. There is no block on industrial change, and the overall economic effects could be favourable.

The power of worker representatives to veto the appointment of members of the executive management board could mean much or little. Workers' representatives would be wise to take this seriously. To bring an external influence into the making of senior management appointments would alter the internal politics of many companies for the better. But more than a rubber stamping of proposals would be needed. The workers' representatives would have to play a part in choosing the qualities to be sought, and in regular appraisals of performance of senior managers below the board. No doubt the workers' representatives would be more interested in such posts as chief executive and personnel director than, for example, in the finance and research directors. But they would create destructive tensions within the management boards unless they took sufficient interest to secure a compatible team.

It would be disirable and practical for appointments to be for a fixed term not longer than three years. The workers' representatives would also be able to ensure, if they wished, that foreign owned companies employed mainly local nationals on the board of management, and that these managers had strong backing in their dealings with the foreign parent.

In their proposals for the nationalised industries, the TUC's reasons for preferring to nominate trade union representatives, rather than having them directly elected by workers, can be understood. But it would seem better to bring the practice into line with the direct elections proposed for private companies, at least for most representatives. It is important to avoid dual hierarchies of full time union officials, and union representatives on nationalised boards, but the need for direct elections to maintain accountability to the workers are just as strong in nationalised as in private industry.

For both private and nationalised industry, the effectiveness of the TUC proposals depends on the lines of communication between the trade union representatives on the boards and those whc elected them. The appointment for twc years, and the liability to recall will help But more important is the whole structure of collective bargaining and trade unior representation at other levels in the enterprise. Workers on the board can help thi structure of collective bargaining to work more effectively. But they themselves wil not be able to work at all without thi structure through which they are linked with the whole body of workers in th enterprise.

The TUC proposals should be understood as an extension of collective bargaining They recognise the ultimate powers o shareholders to whom management is also accountable: and they argue that employees can best face shareholders' interests collectively.

Are the TUC proposals workable? Any system is workable. The more realistic question is would they serve the interests of workers and of customers better than present arrangements, while safeguarding the legitimate interests of shareholders? For those who see industry simply as a struggle between unions and management, and who feel that in this struggle the unions are already too powerful, the TUC proposals are plainly unacceptable. For those who feel there is a mismatch between the power of the unions on the one hand, and the matters on which they can exercise it and the means by which they can do so on the other, the TUC proposals make it possible to find a better match. Managers who are basically anti-union would find life more difficult. But managers in many enterprises who recognise the value of good union organisation should be able to work more constructively with the unions over a wider range of issues under the TUC proposals.

But doubts remain. The proposals are acceptable as a direction of movement. But do they offer a possible resting point? Are there forces which will tend to carry the development on towards complete workers' control?

First it will not be found possible in practice clearly to distinguish subjects on which workers' representatives can exercise a veto and those on which they cannot: decisions in a company tend to interact and have many repercussions. Secondly it is not possible simultaneously to maximise profits for shareholders, and to maximise the income of employees: the divergence of interest in the short term will appear frequently and insistently. Thirdly managers will find the divergence of interest creating tensions that they cannot resolve, in their actions and in their loyalties. Fourthly, union solidarity will itself be strained, in that representatives will be sent on to boards to serve one set of objectives, and will either not do so, losing the confidence of their members, or will report back on conflicting objectves leading their members to look for other means of action. Finally, the modulation of economic behaviour towards greater stability at the enterprise level, may call for wider developments in the management of the economy if rigidity leading to stagnation and sudden painful cataclysms are to be avoided.

Such considerations will lead some to oppose the TUC proposals. They will lead others to ask what further developments need to be added to the TUC proposals to open up a fully practicable and acceptable way ahead.

the workers' choice

The fundamental step would be to remove the conflict between shareholders and workers. This is not as visionary as it may seem. The privately owned firm is subject to all sorts of pressures and limitations, but within these, and other things being equal, it will in the last analysis seek to maximise profits to shareholders. The worker controlled firm likewise would be subject to very many pressures and limitations.

In particular it would be expected to pay depreciation and an agreed rate of interest on capital employed. But within these limitations it would seek to maximise the income of the workers managing it. These are real and effective differences, both for the firm and for an economy made up of such firms. We shall consider these differences more fully later. Here we simply note that in the privately owned firm the objective leads to the supremacy of management, which may then add its own twist to the objectives, as explored by Robin Marris in *Managerial Capitalism* and the *Corporate Economy* (Marris and Wood (1971). In the worker managed firm, by contrast, the workers are supreme.

The conflict between shareholders and workers can be removed by turning the enterprise over to the control of its workers. This can be provided for by a fully democratic and properly constituted process after the following pattern.

The TUC proposals will produce a body of elected workers' representatives on the supervisory board of a company. These representatives should, by law, be able to call for a ballot of all employees as to whether they wish a scheme to be prepared for the conversion of the enterprise to workers' control. If a ballot is favourable, the workers' representatives would oversee the preparation of a scheme.

Workers' control would entail the buying out of shareholders by a public fund, with the enterprise accepting the obligation to pay interest on the funds used, and to pay depreciation on fixed assets at replacement or market value to maintain the capital intact. The enterprise would be able to borrow further capital from the public fund on the same terms. Shareholders would have no further interest in the enterprise, and in particular they would not be able to make capital gains from the enterprise, the benefit of which would accrue to the workers and to the public fund. Failure to meet interest and depreciation payments on the other hand would make the enterprise liable to bankruptcy, whereupon control would revert to a receiver or other public agency. A scheme for workers' control would have to cover all aspects of the operation of the enterprise, and its preparation would have to involve all employees. It should cover finance, compensation terms, products, technology, home and export markets, competition, supplies, the decision process at all levels of the enterprise, employment prospects, rights of employees, methods and terms of appointment, remuneration structures, and trade union representation of employees.

The consultative process in the preparation of the scheme should involve discussion in shop floor working groups, up through meetings of representatives at each level and down again, after the pattern of consultations that have been held in various companies on more limited matters. Resources and advice from outside the company could be used if desired, at the expense of the company. The preparation of a scheme with all the consultation involved might take a year or more.

When the workers' representatives on the supervisory board felt a scheme was ready, it would be put to a further ballot of all employees, and if approved, put into effect. The initiative, details, and final decision on a scheme would thus rest firmly with the employees of the enterprise. The conditions to be met by a scheme would be laid down by law, but would be such as to encourage workers to go ahead, while safeguarding the reasonable interests of the community as a whole.

If employees rejected a scheme, or if the workers' representatives on the supervisory board did not call for a ballot, the enterprise would continue to operate as a private company.

If such a process were constituted by law, presumably by a Labour government, the conversion of enterprises to workers' control would go slowly or rapidly according to the wishes of the people, directly expressed in each enterprise. In practice this could only become the policy of a Labour government if it were supported by at least some major trade unions, with the policy of the unions being to encourage conversion to workers' control at least in some of the firms in which they were organised. Unions would play an important part in the initiation, preparation and implementation of schemes of workers' control in particular firms and industries.

The latter part of this pamphlet will consider the human resources available to such enterprises, their internal organisation and economic behaviour, the management of the economy when composed partly or wholly of such enterprises, international operations, and the political practicalities of such developments.

3. human resources

If a worker controlled enterprise were genuinely democratic, final authority would rest with a group, whether an elected committee or the whole body of workers, which was broadly representative in occupation, education, and income of the workers as a whole, including professionally trained workers. Could such a group succeed? First would the group itself be able to set the strategy of the enterprise and grasp the issues facing it? Secondly would the group employ whatever professional skills were needed to do the job of steering the enterprise? And finally would the control of the enterprise settle down in the hands of an elite, more absolute, impenetrable and self-interested than the elite of managerial capitalism?

In considering these questions it is necessary to be realistic about what happens typically in the management of a managerial controlled enterprise today.

management today

Behind the facade of superior management competence there is a continuous rumbling crisis. The facade itself is impressive. Business leaders in Britain, the *patronat* in France, the tycoons in the United States, and the ministers of industry in the Soviet Union do of course have their cultural differences. But they are usually men of considerable charm. An irate left wing MP fuming at the closure of a factory in his constituency is likely to find the top man when he meets him shows an unexpected flexibility and understanding. He will bring out the plans and management accounts, speak quite frankly of his problems and be open to any suggestions. Above all he will be concerned for his employees, with the affection and sometimes the despair of a mother hen. It will be genuine enough. The MP will depart with promises of alternatives being considered, a delay in the closure, and a fresh look at redundancy terms. The factory will still close and the MP will be left feeling it may be a lousy system, but the boss is not a bad chap, compared with the so and so's he has had to deal with down the line.

Often the reality behind the facade is not all that different. Those appalling board dinners at the Savoy may be all very vulgar, but they are an attempt by rather inarticulate people to be courteous to colleagues, to old company servants and valued customers. In material ways managers look after each other rather well, and the same air of benevolence is extended towards employees. Indeed it is no formality. Tables will be thumped by production directors demanding production programmes which will avoid redundancies in their factories. The catch in the voice when a retired plant manager tells of the reception given for him by plant employees when he retired is genuine enough. When wage claims are discussed the questions considered in the boardroom are not so different from those argued over the negotiating table: the company would like to pay, but the harsh realities of competition, government policies, the need for investment and so on limit what can be offered. An attitude of hostility towards the unions is by no means the rule.

These human aspects of management are very important, but they would come as easily to a capable trade union official or Sunday school teacher. No. Where managers earn their living is in the essential technical knowledge, experience and judgment they bring to their work. Yet the truth is that organisations get by with astonishingly little knowledge, experience or judgment on the part of their managers.

An innocent new graduate will be surprised to find on a multi-million pound chemical plant that among the hordes of managers only one ever uses a slide rule: the rest get by with A-level physics and looking up the plant design sheets. The young accountant brought into a board meeting will be mystified by the ramblings of the managing director until he realises no-one has ever taught him to read a balance-sheet. The operational research worker will find the chief accountant unable to see the advantage of having a financial model of the company, because the questions it could answer are beyond the scope of the company accounting system, which was very advanced when it was installed forty years ago. The commercial director bares his claws when his new sales manager brings out a graph showing how sales over the past ten years have departed so far from the annual budget forecasts to make the budget process systematically misleading. As for diplomacy towards the wider world, there does not seem to be a single company chief executive in Britain who could give a coherent account of the admittedly rather technical process by which the government tries to manage the economy, and how this affects his company.

Such behaviour is not peculiar to the more backward parts of British industry. It is characteristic of the supposedly better managed companies in Europe and in the United States. The management cadre though privileged, is now so large, that its characteristics are easily observed, not least by managers themselves. The general tendency is to suppose it cannot be as bad next door, so why buck the system that is providing a reasonable living?

The point is not that organisations fail: by and large they do not. We only have to look around to see the extent and limitations of their success. Nor is it that talent is unnecessary: it is needed, and where it is put to work, it is often fruitful. The point is rather that organisations get by with using very little real talent. So painfully obvious is this that much management training, not least in the United States, has become more concerned with organisation behaviour, than with supposedly tedious details like accountancy, market research methods, or production planning. Most of the training on organisation behaviour is too parasitic on the Byzantine organisations it seeks to serve to see the humour and perhaps the decadence, of seeking to bolster up such absurd systems. The organisations themselves enjoy it, and grumble when business schools turn out graduates who are actually interested in business: the managing director complains bitterly that the young men think they can do his job better than he can. Both the managing director and the young men are probably right. Such enterprises are not unique in having problems of organisational behaviour. Trade unions, universities, local authorities, the BBC, and governments have their problems too. But the private enterprise employing many people has no basis for claiming to have discovered a uniquely efficient form of organisation, which endows a management hierarchy with a self-perpetuating authority resting on the trusteeship of property.

The nature of organisationally advanced economic activity is the interaction of many different and changing abilities which have to take the lead in turn at different times and in different aspects of the business. So a pyramid structure is an improbable candidate for its form of organisation unless it is sustained for reasons unrelated to the task of the organisation. To be fair many chief executives would deny that they operate in a hierarchical way. That seldom prevents them drawing higher salaries than everyone below them and their subordinates following suit. It is in part the self-interest of hierarchies in business which sustains them and prevents the emergence of forms of organisation which are more effective and more satisfying in human terms to most of the people who work in them.

organisational behaviour

The organisational advantage that workers' control offers is that it tends to encourage a more open flexible form of organisation of the enterprise than is encouraged by managerial capitalism. The objectives are openly stated, debated, adjusted, and pursued in full view of the workers whose objectives they are. They are likely to be as open to the persuasive entrepreneurial innovator as any banker or government would be, and more likely to be penetrating in criticism, because the criticism, will come from all sides—marketing, finance, production, personnel—with a will for the enterprise to prosper and expand. The opportunity to demonstrate insight and professional skill will be greater because it will present no challenge to the ultimate authority—the workers as a whole—who claim no specialist skills, but want the best results. In management hierarchies, the relation between staff and line, senior and junior, one specialist group and another, constantly bedevil and retard new developments in management practice. The visibility of each point in the professional net to the wider interest will smooth the course of adaptation of professional skills and practice to new tasks.

There is much evidence from research on organisational behaviour, mainly in the United States, that a work group will work better the greater the discretion allowed to it. McGregor (*The Human Side of Enterprise, 1964*) sees the essential task of management as "to arrange organisational conditions so that people can achieve their goals by directing their own efforts towards organisational objectives." Drawing on Maslow's research, he sees the social and ego needs of men, for belonging and self-esteem, to be paramount over physiological and safety needs, once certain minimum conditions have been met. Likert (*New Patterns of Management, 1961*) has gone beyond this to test out different organisational approaches under laboratory conditions to substantiate the hypothesis that "an organisation should be outstanding in its performance if it has highly effective groups and uses the overlapping group form of structure, and if it achieves effective communications and influence, decentralised and coordinated decision making, and high-performance goals coupled with motivation." Experiments described by Weitz (*Selecting Supervisors with Peer Ratings, 1964*) with groups selecting their own supervisors, have shown that peer groups can do this job as well or better than management. The spectre raised by defenders of management prerogatives, that people would seek a comfortable life by electing weak men as supervisors proved to be false. Of course the contribution of workers to the conduct of the enterprise will differ greatly. But the articulate, the skilled, the popular and the charismatic, will not be separated out from their fellows and distinguished from them by the largest possible differences in pay and status. Any incipient elite will be more open to challenge and more readily prevented from developing harmful characteristics. There is also considerable evidence that our methods for attracting and promoting good managers fail to produce men at the top who are up to the job demanded of them. Examination of where business administration graduates, for example, end up shows that only about half of them are working in industry and the largest industries often find it hard to recruit the best graduates. Large organisations inevitably employ many specialists whose performance is hard to evaluate. In the absence of better measures, when promoting someone emphasis is likely to be placed on how well the candidate will "fit-in"; we know from a number of studies that managers are more concerned with leading a quiet life than with maximising profits; the more competitive the system's promotion is, the more likely it is to lead to people covering up their mistakes and avoiding taking risks. Consequently there is a built in tendency toward mediocrity. The men charged with leading our major companies may end up insulated from what is really going on, making decisions which are beyond their level of competance and surrounded by men who pose no threats to their own position. Furthermore, in a typical hierarchical system, once at the top, there is little chance of being replaced until retirement, as owners are too remote to replace a man who seems wanting.

In contrast, an organisation whose appointments are controlled by the people who work in it should produce better management. The incentive to select the right people will be stronger as so much more depends on it. Full time councils of workers representatives will be every bit as selective as part time boards of directors. The challenge and freedom of a less hierarchical form of organisation is likely to encourage good men to come forward and, as in our political system, limited term contracts and reappointment on the basis of past performance and programmes for the future should encourage them.

4. organisation

The organisation appropriate to any particular enterprise is best worked out within the enterprise itself. That is why such emphasis has been placed on the preparation of a scheme for workers' control within an enterprise and by the workers themselves as an essential preliminary to making the choice for or against workers' control.

However to illustrate the kind of considerations that arise the following is an outline of a pattern that might be appropriate to a large multi-product, multi-plant, multi-divisional manufacturing concern.

basic structure

Starting with the basic work group of up to twenty people, who might be conducting experiments on a pilot plant, keeping accounts, working in a production section or typing pool, or covering a sales area, a number of natural functions can develop as the team is left to organise itself. There is the organiser who arranges the work of the team ; the representative who speaks for the team and helps make decisions determining the team's work in councils at higher levels ; and the negotiator who acts for the team in questions affecting their pay and conditions.

Each function requires rather different abilities and attitudes though they could be combined and re-divided in many ways. In traditional terminology, the organiser would correspond to the supervisor, the representative to a committee man, and the negotiator to the shop steward. At the level of the basic working group all would be working " on the tools ", contacts and communications would be continuous, and business informal. At successively higher levels—the department, works, operating division, and group or combine—basically the same functions would exist.

In the department would be a representative committee of the elected representatives of the basic work groups, a department organiser appointed by the representative committee, and a directly elected senior shop steward who would be a full member of the representative committee. At the works or establishment level, there would be a works representative committee of representatives, directly elected by all in the works on a departmental basis, a works organiser appointed by the works representative committee, and a directly elected convenor. There would be similar arrangements at the divisional and combine level. The organisers correspond to managers, but because of their different styles of working, and their relations to their representative committees and convenors, the different name is more than a difference in terminology.

The individual worker thus votes for a representative committee member, and a shop steward or convenor, at each level—basic work group, department, works, division and combine.

The organiser at any level—department, works, division or combine—is appointed by the representative committee at that level. The organiser at the next higher level may submit a description of the job he thinks needs doing and of the man to do it, with one or more nominations if he wishes. The committee of organisers at the next lower level may do likewise. But the representative committee may add other nominees, and will itself appoint the organiser.

The organiser is the executive at each level, and will work through the organisers below him, and receive instructions from those above. " Instructions " is not the right word, because the organiser is the executive of the representative committee at his own level. A more appropriate terminology is that of the cabinet which never instructs ministers to do anything : it " invites " them. And this is not a mere formality : woe betides the minister who ignores an " invitation," but if for reasons not known at the time of the cabinet decision, he finds he cannot carry out his instruction, or that circumstances become such that he believes the cabinet would not wish him to do so, he can go back to the cabinet. Likewise the successive levels of representative committees and of organisers would have to communicate sufficiently with each other to make sure agreement or at least acceptance was reached.

the Bristol Aircraft workers' 1973 proposal

This basic structure can be compared with an interesting structure worked out by a group of Bristol Aircraft workers for running the aircraft industry under public ownership (*A New Approach to Public Ownership, 1973*). They propose that a controlling council of workers' representatives, elected by workers in the industry, should have overall control and should appoint each member of an industry management Executive, made up of professional managers. This executive would in turn appoint plant management executives for each plant. Controlling council members would sit in as observers at meetings of professional management, but with no vote. The differences between this structure and the basic structure proposed above is that the Bristol Aircraft workers structure leaves the management hierarchy intact, with the elected controlling council superimposed on and appointing the highest level of management while the basic structure we propose puts the appointment of managers (or organisers) in the hands of an elected representative committee at each level. In an industry with as many technicians and white collar workers, as high a technology, and as complex a management structure as the aircraft industry, a more complete structure than that proposed by the Bristol Aircraft workers would seem justifiable.

In particular it would seem desirable to open up the management structure. In the early sixties there were in the British Aircraft Corporation a number of bright young engineers who were highly critical of the fragmentary disconnected aircraft type strategy with TSR2, Concorde and others being pursued by Sir George Edwards and officials in the Ministry of Aviation. Had their views been listened to, Britain's output and exports of aircraft and value for tax payers' money since then would have been much higher. These men were the kind of person who would have been appointed as managers by workers' representative committees at lower levels, and put in a position to criticise the plans and challenge the monolithic authoritarianism of senior management, with the backing of successive levels of worker representatives. It would have been less comfortable for Sir George Edwards but better for the industry. As it is, these young men were driven from the industry in frustration. This is the kind of consideration that would be brought out by the preparation of a scheme of workers' control through a process involving all the workers in an enterprise. This process of consultation is indeed what the Bristol Aircraft workers are trying to achieve in more difficult circumstances without legislative support, by circulating and discussing their proposals.

conduct of business

In the basic structure we outlined, the major management control reports at each level would be presented by the organisers to the representative committee for approval. These would comprise the annual budget, any longer term (for example, four year) rolling plan, investment proposals, and monthly accounts. The importance of full information and communication—including "soft" information—the emergent informed ideas and attitudes and forward indicators of events—cannot be overstressed. The flow of information largely determines the distribution of power. The form of reporting would bring out those aspects of operations in which representative committees would naturally be interested, but which do not always appear in management accounts presented mainly for financial control. For example, they would include information on numbers employed, income per head, physical output and productivity, actual and planned, in each section of the enterprise. The effect of wages on costs, and of costs on the competitive position and sales would be presented as clearly as possible. Forward plans would relate each establishment to the employment position and prospects in its neighbourhood, and to any wider planning procedures by government. The organiser would have such meetings of organisers below him as he felt necessary. The burden of meetings and communications need not be excessive. Typically a works manager might now have a meeting of his departmental managers every Monday morning. The works organiser's meeting with his departmental organisers could take place likewise, the first part of it being a meeting of the representative committee with departmental organisers in attendance. A full meeting of the representative committee would take place each month. Corresponding adaptations of present management meetings could be made at other levels. Nor need the despatch of business be slower. Board meetings are often more alert and businesslike, and no less inhibited, when attended by more senior or more junior executives whom the board is trying to impress.

All those attending the meetings in a worker controlled enterprise would in any case have to be informed, persuaded and consulted if the enterprise were managed in any other way. An enterprise with a well conceived system of workers' control would save time by having better organised communications.

There would of course be much for worker representatives to learn, just as now there is much for managers to learn. This is another reason why the TUC proposals, and the thorough preparation of schemes for workers' control, are desirable stepping stones. But there is no reason to believe that the workers' representatives would not grasp the situation of a company as quickly and effectively as managers do today, and with a rather better chance of doing something about it.

To achieve the reality of workers' control there should be full communication between the different levels of representative committees, and of the representative committees with the whole body of workers. All the arts of two way communication should be used to secure it. Being a worker controlled enterprise with no shareholders there would be no inhibitions in reporting information due to Stock Exchange restrictions. There is already a sizeable industry concerned with intra-company and intra-union communications which is on the whole constructive. Its chief defect is that it is usually swinging a management or a union line, with little genuine independence of reporting and commentary, a notable exception being some of the nationalised industry material. There would be something to be said for giving the internal communications activity in a worker controlled enterprise statutory independence of the controlling bodies in the enterprise.

trade union representation and procedures

The organisation of a worker controlled enterprise should take into account the occupational as well as the departmental structure of the enterprise. Thus a production section consisting mainly of semi-skilled workers may have attached to it an accountant, a work study officer, an electrician, some maintainance fitters, with extended visits from some research department scientists working on a process development, a tea lady, and an operational research girl putting in a new production planning system. In some cases it might be desirable for workers to belong to two basic working groups, for example maintainance fitters to a production department and an engineering workshop: the considerations are the smooth working of both groups as well as the interests of the individual. It should also be possible for a basic working group, or higher level organisation, to be represented by someone with a different occupation from the majority of the group—for an electrician to represent semi-skilled workers, a librarian the laboratory technicians, and a tea lady the cleaners.

These are the sort of arrangements which are difficult to prescribe in theory but easy enough to work out in practice when the will to do so is there. Nowhere is this more true than in union representation in a multi-union plant. Representation is simpler to organise in a single union plant, as are so many things. But in a developed system of workers' control there could be advantages in having some unions organised on an occupational basis. Taking the broadest view the worker has one organisation behind him in the particular job—the enterprise ; another organisation—the union—as he moves from job to job within his occupation (and few workers will spend their life in one enterprise) ; and a third in the place where he lives—his local authority. And he has legitimate interests in each. In particular his occupation has an interest in matters of pay in his enterprise.

It would be in matters of pay and conditions and the work arrangements directly affecting the individual worker that a shop steward and the union organisation would have the largest part to play in the eyes of the worker. The trade union representatives in a worker controlled enterprise—shop stewards, senior shop stewards, and convenors—would be elected in much the same way that they are now, and would have their own committee structure at works, divisional and combine level. There is no reason why higher level union representatives should not be full time union officials at district or national level. In any case, through their membership of the representative committees of the enterprise at the appropriate level they would all have an intimate knowledge of the business. When it came to negotiations, they would act as union representatives. This would not weaken the representative committees since those workers serving on the committee *ex officio* as union representatives would be a small minority. For the same reason the trade union representatives would not feel inhibited or divided in their loyalties.

Important parts of the initial scheme for workers' control to be approved by ballot of all workers, would be the initial wages structure, probably based on a fairly simple job evaluation scheme ; a negotiating procedure which would probably include conciliation and arbitration as final stages with the result binding on both parties only if agreed in advance in the specific case, and therefore allowing the possibility of industrial action when the procedure was exhausted ; and a pattern of union recognition and representation.

Because it would be a workers' controlled enterprise all profits won or lost would be won or lost to the workers in the enterprise. There would thus be a strong incentive to reach agreement in negotiations wherever possible. But there would sometimes be failures to agree, resulting in strikes, and some disputes with outside agencies, so it is only sensible to provide for this in the procedure.

The development of worker controlled enterprises would open up new spheres of union activity. The unions would be able to take a wider interest on behalf of their members in the success of the enterprise. They would be concerned to stimulate any enterprise that settled down too complacently in the hands of a clique, paying low wages to its workers. They would be able to take a deeper interest in security of employment in the future, in developing job opportunities, in training, promotion and career prospects. By their involvements in different enterprises, full time union officials would be able to pass on useful experience from one enterprise to another, and help to keep organisations on their toes.

some organisational difficulties

The operation of a workers' controlled enterprise would not be without its problems. Because the developments proposed are put forward not as a distant Utopian ideal, but as an immediately practicable development, it is necessary to be clear about what these problems are likely to be. This will be easier after we have discussed the economic behaviour of a worker controlled enterprise and the economy of which it would be a part. But we can now see some of the organisational difficulties.

We have noted frustrations in present management structures and suggested that some of these would be eased in the more open structure of a worker controlled enterprise. We have also argued that the mass of the workers would be ready enough to play their part if only because workers' control would only be embarked upon where a majority showed their support by ballot. But the transfer of power would mean that many positions and privileges that had been protected by the precedence of management would be exposed, and if not swept away at least subject to pressure. Could a worker controlled enterprise attract and retain the professional, organising and entrepreneurial skills it needs in this climate ?

There would be a fall out of senior managers: there departure would not necessarily be a loss. Okita, the leading Japanese economist (in *Causes and Problems of Rapid Growth in Postwar Japan*, 1967) said: "The labour union movement, although it brought some confusion, as a whole was a stimulant, through its demand for higher wages, for better management and higher efficiency. The dissolution of *zaibatsu* (industrial trusts), although its implementation was much mitigated at a later stage, had a stimulating impact on industries. Even the purge of business leaders provided chances to introduce new blood into management."

The result of the transfer of power with the spread of workers' control, and the ample supply of professional skills in younger age groups due to the expansion of higher education, should be that the present salaries of top managers which are inflated relative to those with similar responsibilities in other occupations, will fall. Also if properly organised, the worker controlled enterprise would attract into jobs needing professional training some able people who do not find privately or even publicly owned managerial capitalism an attractive working environment. Whether out of fear or incompetance present management hierarchies have failed to use effectively the products of the present higher educational system, or to design a better system of education. If a worker controlled enterprise is not able to attract better talent at lower salaries than the going rate in private industry then it ought to look at other aspects of its appeal. It will not get the right people by paying more.

The greater danger than low salaries is a stodginess, an anti-intellectualism, a braggardly inferiority complex, of which many trade union leaders are free, but which they will recognise as a wound in the class war which some parts and aspects of the Labour movement have suffered. There is no reason why a worker controlled enterprise should not provide an intellectually brilliant and stimulating atmosphere in which to work. The way to do so is to offer unpretentious, straightforward human relations which will ask and accept from all men and women whatever it is they have to offer.

The removal of ownership and management control opens up the danger of fragmentation. The workers in any division or establishment of an enterprise could declare it an independent enterprise by going through the same process of devising and ratifying a scheme for workers' control in the manner in which any workers' controlled enterprise was constituted in the first place. There are many reasons why a temporarily prosperous division would not want to hive itself off from its parent company, but some large companies would be divided, and pressure would be exerted on every company to allow a good deal of autonomy to its parts lest they decide to split off. On the whole this kind of fragmentation could often be beneficial in its human and economic consequences.

Another dimension of possible fragmentation when management control is lifted, is between workers in different occupations, particularly when they belong to different unions. Inter-union disputes have been a problem under management control. An increase in freedom is as likely to bring increased readiness to find an accommodation as the reverse.

The greatest difficulty would occur where the introduction of workers' control in itself altered the balance of power between different groups of workers, for example as between shop floor workers and their supervisors and foremen, and between draughtsmen and professional engineers. A move to workers' control would result in a rapid increase in white collar trade unionism, and even the unionisation of management itself.

Top level management would not be in a very strong bargaining position, and its opposition would be likely to be political. It is among middle level management and professional workers that a worker controlled enterprise is likely to find the greatest difficulties in the initial stages. Here again is a reason why the preparation of a scheme of workers' control within the enterprise itself is so important. The constructive course for managers to take would be to co-operate in working out a scheme, and to bargain on pay for those who remained and on compensation for those who left.

the Yugoslav experience

Any discussion of workers' management is bound to take account of Yugoslav experience. It is impossible to transplant institutions from one society to another, differing in history, culture, psychology, education, state of development and political system. But Yugoslav experience raises important questions, and has served as a focus for an increasing volume of criticism and analysis of the economics of workers' control. A brief bibliography is given in the appendix, but the outstanding source is Jan Vanek's ***The Economics of Workers' Management: a Yugoslav Case Study*** (1972).

Workers' management in Yugoslavia developed not as the application of an ideological blue print, but as the practical means of industrial development of a country with strong internal antagonisms and well founded suspicions of central control, lacking an established industrial structure. This makes it the more remarkable as a politico-economic invention.

The worker managed enterprise in Yugoslavia is an independent trading entity. There is no central planning of production, and the enterprise operates in a largely market economy. Capital on which interest has to be paid is provided by various public agencies. Depreciation has to be set aside out of current income to maintain the assets intact, and the funds thus accumulated are available for further investment at the discretion of the enterprise. The enterprise is controlled by an elected workers' council which appoints the director of the enterprise for a four-year term and determines the internal structure of workers' control. This usually devolves a large measure of responsibility to subsidiary elected workers' bodies. The distribution of income to reserves, welfare, personal incomes and capital funds is decided by the workers' council. Each worker receives his share of the personal income allocation, shares being determined in advance.

There have been frequent major changes in national economic policy and in the framework of economic management in Yugoslavia since the war. The attempt at central planning was dismantled in 1951. In 1952-53 virtually the only administrative control was a levy on enterprise income. In 1954-56 instruments were introduced to control income distribution, using a distinction between wages at national rates and profits shared. In 1957-60 enterprises were allowed increasing discretion on their income distribution, though with a new progressive income tax. In 1961-65 controls on income distribution were virtually abolished and the progressive income tax replaced by a flat rate tax. Production rose by 45 per cent (at constant prices) in three years, but prices and incomes rose still faster, and financial and monetary policy got quite out of hand. The reform of 1965 sharply restricted credit, allowed prices to adjust where they had got out of line, cut import duties, and shifted the tax from the income of the enterprise to the personal incomes of the workers. The fashions of economic policy have thus swung between the tightest central planning to the loosest Friedmannite laissez-faire and from highly redistributive taxation to non-interventionist flat rate taxation.

The growth of industrial production has swung between 5 and 15 per cent per annum, putting the Yugoslav average growth rate among the highest in the world. Investment has been at a high level on average. But inflation has been and remains among the highest in the world outside South America. Unemployment has been around 7 per cent with a large peasant agricultural sector and the high rate of emigration to work abroad, as in Italy.

The Yugoslav economy has been characterised by a remarkable determination at enterprise level to maintain output and employment despite the vicissitudes of the economy. One method used has been to seek and allow very high levels of trade credit, in 1967 reaching an estimated level equal to workers' yearly earnings. A specially devised nationwide clearing scheme largely failed because it was voluntary and public authorities, who were a major class of defaulters, were not included!

The high level of investment is due to the high level of depreciation funds available for re-investment, the tax advantages of investing out of income, the relatively favourable terms on which loans can be obtained, and the variety of sources of loans—the commune, the republics, the banks, and other enterprises. The demand for loans greatly exceeds their availability.

Despite the vagaries of Yugoslav economic management, care has been taken to avoid two possible negative patterns of behaviour which critics inside and outside Yugoslavia have pointed to as dangers of the system. First is the possibility of enterprises reducing output and seeking higher incomes through price increases, employment restriction and other forms of monopolistic behaviour. Second is the possibility of enterprises using up all their income for personal or collective consumption and not only failing to contribute to the expansion of the economy, but actually consuming its capital by failing to maintain it. Measures have been taken to avoid these dangers, which except on price inflation have been broadly successful. Also it has turned out that in its total character, a worker managed enterprise may be more responsible than some economic abstractions suggest it will be.

In Yugoslavia "workers' management" in the producing enterprise is part of a wider concept of the "self government of the working people", offering participative structures in the public services and at higher levels in the economy.

Translating the problems raised by Yugoslav experience at both the enterprise and the national economy level into the situation of an advanced industrial country such as Britain is instructive but it needs care.

5. economic behaviour

The prospect possible in Britain is the conversion of an increasing number of enterprises from managerial control to workers' control, to begin with, under the present system of management of the economy. As the proportion of the economy under workers' control increases, and the economic management system has time to develop, the problems will change. The next section considers the management of an economy consisting partly or wholly of worker managed enterprises. But here we consider the worker managed enterprise itself.

the accounts

In the balance sheet fixed assets would be valued on a statutory basis because the depreciation the enterprise would be obliged to provide would be related to asset values. Some combination of replacement and market values would probably be appropriate. Current assets would be valued in the ordinary way. The liabilities would include the founding stock, representing the original capital of the enterprise, loans, a capital reserve, any statutory reserve required, and a general reserve particularly for smoothing out year to year variations in personal incomes of workers.

In the profit and loss account there would be no distinction between personal incomes of workers and profits. To calculate the income of the enterprise, the cost of materials and services, and depreciation, would be deducted from the receipts from sales. Out of income would be paid interest, and allocations to reserves, the balance being the personal incomes of workers. The cash available for investment would be replenished by depreciation payments as well as by any further discretionary allocations to capital reserve. Further loans could also be raised to finance investment.

Special corporation tax laws would be needed for worker controlled enterprises, because of the lack of distinction between workers' personal incomes and profits. They should be such as to put the worker controlled enterprise in no worse position than a private enterprise with respect to the benefit of grants and tax allowances for investment and so on.

personal incomes of workers

A worker would be entitled to so many units of income, the value of a unit being determined by the total of personal incomes for the enterprise. Negotiations of differentials within the enterprise would take place in terms of units of income.

Allocations to or from the general reserve for smoothing out year to year variations in personal incomes of workers would be made according to a formula laid down by law. The initial and target level of the reserve might be set at 10 per cent of the personal incomes of workers. If in any year their income in real terms fell below the average of the highest two of the past five years, it would be brought up to this level from the reserve. Likewise if real incomes were above this level, up to half the excess would be added to the reserve until it again reached 10 per cent of incomes. Even in a firm with the high capital per man employed and the variability of the profits of ICI, such a formula would have enabled the workers in ICI comfortably to carry the whole risk born by shareholders in the past ten years in the shape of variations of earnings per share, with a nice bonus in 1973.

Since each worker's income would not be calculated until the end of the year, payment of incomes would have to take the form of a weekly or monthly amount corresponding to the income guaranteed by the above formula plus an annual adjustment or bonus which would generally be less than 10 per cent. The guaranteed income in real terms would never fall unless the enterprise got into acute difficulties requiring other drastic action.

employment and output

A worker managed enterprise has a much stronger incentive to maintain steady levels of employment and output in its establishments than has a managerially controlled enterprise. All that the latter loses from a reduction in output with redundancies, is the profit on sales. The former loses the incomes of the workers otherwise made redundant as well—typically three or four times as much. A worker managed enterprise would therefore rationally be prepared to build up much higher stocks, extend more trade credit, and offer more incentive discounts to customers, to maintain output. A reduction in the pressure of demand would have a greater effect on prices in a worker managed enterprise. Furthermore such an enterprise would use any recession in demand for capacity increasing or efficiency improving investment which could use its manpower, rather than cut back manpower and delay investment until demand picked up again.

Conversely the response to an increase in demand in the short term would be to concentrate more on overtime and be more selective in selling efforts, while a managerially controlled enterprise would look for extra labour to keep down overtime costs and would probably sell more but at lower marginal prices.

A worker managed enterprise would thus show greater short term stability in employment and output, and less in prices than a managerially controlled enterprise.

investment

By giving the worker managed enterprise the use but not the ownership of fixed assets, with the consequent obligation to pay high rates of depreciation which can then only be reinvested by the enterprise or held in reserve, the Yugoslavs have generated a high level of investment. This is also favoured by relatively cheap but severely rationed loans. The Yugoslavs have probably gone too far in stimulating investment for the efficient allocation of resources, but in Britain a more moderate use of the same tools could give a much needed boost to investment here.

Under such incentives the inclination in a worker controlled enterprise would be to maintain a more stable as well as a higher rate of investment. Its more stable level of output would generate more stable investment. Also investment requires considerable effort within a firm in designing, installing and commissioning new equipment. In such capital intensive industries such as chemicals, oil, steel and electricity generation, large parts of firms are concerned mainly with investment activity, and their internal pressures for full employment would help to stabilise investment. As motors, electronics, general engineering and other industries move in this direction with higher levels of automation such influences will spread.

prices and incomes

The greatest economic weakness of worker controlled enterprises is likely to be their inflationary tendencies. These have been clearly demonstrated in Yugoslavia, and it is easy to see why. If to increase your income in a not very price competitive economy you merely have to increase your prices, why not? Cutting import duties and exposing domestic producers to foreign competition has not helped Yugoslav prices very much since 1965. The interposition of management in managerially controlled enterprises at least introduces some resistance and creates a delay in the wages and prices loop.

What then can be done? Price controls will lose their appeal to the unions when they have the direct effect of imposing restrictions in income in the worker managed enterprise. If applied too strongly the workers could go on strike to get the controls lifted. If the controls were maintained the enterprise would virtually come under state management, possibly via bankruptcy, with embittered workers and the end of workers' control in the enterprise. A prices and incomes policy with an element of price control could have some part to play, but it would have to take into account all aspects of performance of the enterprise and be applied gently.

Minimising injustices within the enterprise is obviously important. Well worked out and generally accepted pay structures are important, and the negotiation and maintenance of these would be the most important of the day-to-day tasks of the unions.

The level of demand as represented by unemployment has been found to have little effect on wage or price inflation in Britain in recent years. But it has just been argued in connection with the stability of output that in a worker managed enterprise a reduced pressure of demand was likely to have less effect on unemployment and more effect on prices as the enterprise strove to maintain its level of employment. This then raises the question whether there is a pressure of demand which would maintain satisfactorily full employment in the worker managed enterprise yet give it a strong incentive to keep its prices down to maximise its income. A worker controlled enterprise which can sell more by a marginal reduction in its price will get a much bigger increase in income than a similar managerially controlled enterprise, who will only get the profit margin and not the wage cost as well. To be in a position to sell more the enterprise must however have been working a little below its full capacity. The demand management possibilities of this will be examined in the next section.

The inflationary problem will be less if the enterprise is in a competitive market and not able to exercise monopoly powers. The problems of oligopoly and price leadership have limited the effectiveness of competition in keeping down prices in many areas of the economy today. But taken in conjunction with all the other measures an anti-monopoly policy has a part to play, and is just as necessary with worker controlled enterprises.

If the danger of inflation destroying the possibility of workers' control is constantly hammered home, and concerted measures are taken to deal with it, inflation should be brought within acceptable limits. But it is a more difficult problem in workers' control than any lack of investment or any restriction of production which are the objections people usually make to workers' control.

sales and consumer demand

There is a tendancy in much socialist writing to think only in terms of production, and to ignore the necessity to sell the product : production is for use, and not for profit, and uses are obvious enough. Indeed they are, but the consumer may prefer another product, or he may not be able to use product A (say, a car) unless he can afford product B too (its running costs). And this whole field of consumers' preferences, priorities, resources and combinations of need is what selling and consumer choice is all about.

It may well be a good idea to have consumer representation on the board of a worker controlled enterprise, and it is certainly good to have the strongest possible consumer representative bodies. But worker representatives will find they have to give a great deal of attention to sales problems. At the same time they will be right to demand a better organisation of market developments through the processes of wider economic management.

the declining enterprise

The discussion has been mostly in terms of an expanding enterprise, but not all worker controlled enterprises would go on expanding indefinitely. A declining enterprise would be allowed to dispose of some of its fixed assets, with a corresponding reduction in liabilities. There would be no dramatic capital gains since the assets would have been constantly revalued with corresponding increases in liabilities to a public fund. It would still have to provide for depreciation on the assets it retained (at replacement cost or market value). Redundant workers would receive redundancy payments and take with them their pension rights. An enterprise would not be encouraged to cling on at the cost of relatively declining incomes of its workers, which trade unions would be demanding be brought up to average levels.

Such an attitude to the declining enterprise would only be socially acceptable if effective measures were taken to provide alternative employment for workers losing their jobs. In addition to present employment and regional policies, a declining enterprise could be absorbed into an expanding enterprise and used for further growth, or by the initiative of a local authority or other development agency, a new worker controlled enterprise could be established. In a mature system of workers' control there would be policies for full and varied employment in the local community.

6. nationalised industries

Workers in nationalised industries are as entitled to workers' control as workers in other industries. Their difficulty is that in such public monopolies they could pay themselves what they liked by charging high enough prices, and this neither consumers nor the government could accept. Yet even without workers' control and with the workers usually receiving by no means excessive wages, every government has intervened on nationalised industry prices, and often wages too. The system of setting the nationalised industries economic and financial objectives in investment, pricing and the return on capital employed put forward in the White Papers of 1961 and 1967 has been bent to breaking point by government interference. This could bring back all the confusions of objectives that did so much damage to the nationalised industries and to the idea of nationalisation itself in the fifties.

The present system leaves the boards to bargain with government on prices and then with the unions on wages. If the boards were worker controlled they could bargain with government on prices, with wages then being treated as they are in the competitive worker controlled enterprises discussed already.

The advance bargain on prices with the rapid changes in costs of supplies that have occurred in recent years could put an intolerable squeeze on wages unless there were provision for the adjustment of prices with the cost of major supplies, like coal for electricity and iron ore for steel.

The advantage of such a system to the government would be that price and wage behaviour in the public sector became predictable. The advantage to workers is that they would gain all the benefits of short term improvements in productivity and profitability. The practical problem would be building up sufficient confidence on both sides that the price bargaining system was fair and produced equitable results in the short and longer term.

The introduction of such a system in a nationalised industry would transform its nature from a Morrisonian corporation to something much more flexible and perhaps nearer to what people originally hoped for from nationalisation. But it would not require the same kind of decision at the beginning on a fundamental principle as would be needed in a private company.

It would be possible, indeed without legislation, effectively to introduce something very like the TUC 1973 proposals on industrial democracy, with union representatives sitting with the ministerially appointed board members on the effective board of management, with a supporting structure of worker representative committees from the shop floor upwards. The committees would be fully involved in all management questions. In the course of negotiations on wages they would be able to work out in practice how these could be decided by workers' representatives themselves, within a structure of bargaining on prices with the government. The negotiation on pay relativities, probably within systems of job evaluation, must be a feature of any kind of worker controlled enterprise, and its development need not await agreement with the government on the final structure.

Each nationalised industry has its own problems and these could well appear in a somewhat different light with strong and effective worker representation. In the problems of recruitment in London Transport, of the provision of alternative employment with steel modernisation, of investment instabilities in electricity supply, the radical solutions needed could well become acceptable sooner as a result of the demands of worker representatives in a position to exercise power.

7. an economy of worker controlled enterprises

In discussing workers' control at the enterprise level we have looked for a practicable course of development from where we are now, with enterprises able to convert one by one to a system of workers' control which they could operate in today's mixed economy.

It was argued that the present hierarchical managerially controlled enterprise is cramping of personality at all levels and inappropriate to the task of modern industry. There are similar difficulties about the process of managing the economy, only on a grander scale.

The business of adjusting public expenditure and fiscal and monetary controls so as to maintain full employment, avoid inflation and achieve faster growth with a satisfactory balance of payments is an impossible task which the Chancellor has to attempt. He is told that his apparatus of forecasts of the results of alternative policies is not very reliable, and if he is a wise man he will treat his own prejudices and the advice he is given in letters to the *Times* and elsewhere with equal caution. But he has to make a decision. The outturn will be better in some respects and in others worse than he had reason to expect. Over a period the results will be much as they have been since the war, with upsetting changes in taxation and public expenditure plans, times of high unemployment and times of labour shortage, of stagnation and of rapid growth, surges of inflation, large balance of payments surpluses, and large deficits. The quality of control of the economy is inherently limited. It is limited by the uncertainty of the magnitude and timing of the effect of one economic factor on another (of wages on prices, for example), by the uncertainty due to extraneous unknown factors (such as a mysterious drop in consumers' expenditure), and by the time lag and uncertainty in the effects of policy changes. Nor is the accumulation of experience likely significantly to improve the quality of control, because the behaviour of the economy will change as fast as its characteristics can be identified.

All this can be spelt out and demonstrated quantitatively from a thorough analysis of the data. The analysis has to go beyond making forecasts and analysing the sources of error : it has to ask how policy makers with any particular objectives could best behave, taking into account the uncertainties of forecasts, and the changes that future policy makers will be able to make to correct imbalances.

There is no reason to believe that practicable improvements in economic data, addition of new measurements, or new policy instruments will very much improve the quality of control possible, because the source of the difficulty is the inherent problem of trying to represent the enormous diversity and complexity of the economy by twenty, two hundred, or even two thousand parameters. Indeed the remarkable intellectual and practical achievement of macro-economics is that it has been able to get as far as it has in the analysis and control of national economies since the war with broadly full employment and considerable economic growth.

The limitations of the control of the economy cannot be ignored, because the imperfections at the macro-level wreak such havoc when magnified at the micro-level. In the economy unemployment may be under 3 per cent; for the unemployed man it is 100 per cent, for some towns 8 per cent. National output may vary by 2 per cent on either side of the trend : for the steel industry that could mean 15 per cent and for heavy plant suppliers 30 per cent. Once the micro-level problems are posed it is clear that the macro-variables just do not describe them.

Nor is the overall performance of the economy acceptable. No government or political party could go to the country offering a true picture of the quality of economic management. It could be lucky and by chance for three or four years achieve remarkable economic success. But in the medium term we would be back in the same difficulties, and neither the country nor the political system would be any better off. The practice of macro-economic management makes it impossible for governments in the long run to fulfill the expectations of the people. It is steadily undermining the credibility of politicians and the political system itself.

To give up all attempts to manage the economy would not help. With all policy instruments locked, the inherent unpredictability of relationships between the prime variables in the economy— income, consumers' expenditure, prices, output, investment, employment, exports and imports—is great enough to produce substantial disturbances in the economy of magnitude similar to those which have occured since the war. Indeed if the government adopted a dogma of "non-interference" it is likely that disturbances would grow to a point where the government was compelled to intervene more drastically.

The only way to improve the management of the economy is to look below the surface, at the detail of what is happening in particular industries, regions, occupations and indeed enterprises. There is already a mass of government intervention in the economy below the national level —in regional employment policy, Rolls Royce, Upper Clyde Shipbuilders, industrial training, local authority expenditure, nationalised industry investment, prices and wages. But it is incoherent, often mutually contradictory, episodic, and largely detached from the mainstream of the management of the economy. Because such interventionism lacks any overall system it is bound to be overriden by the gross but logical and imperative oversimplifications of short term economic policy. At present it is politically difficult to rally the forces to demand a more coherent system of government intervention, because it appears to be a merely technocratic exercise, and the technocrats are busy with the present system.

Conversion to worker controlled enterprises on any scale would increase intervention by government because the political leverage of industry would be much increased by combining the forces of unions and management. Enterprises would demand favourable market conditions. The motor industry would demand cheap and abundant steel and steady sales to workers in other industries; the steel industry a reasonable income and cheap coal; and the miners would demand decent prices so that they could afford to buy the motor industry's cars, and protection from imports. Heaven help the government that tried to hold the ring in that little argument with the present gimcrack methods of economic management.

Yet at the same time workers' control would open up the political possibility of a coherent micro-economic, interventionist system of managing the economy. The reason is that the economic interest of enterprise management—the workers—would more closely correspond with the objectives of the system : full employment locally, steady demand, and decentralised decision making.

To sum up, the capability of the present system of economic management is limited and has probably been reached. Workers' control offers the conditions needed for a better system, apart from its other effects.

economic environment

Keeping supply and demand in balance in the economic environment of the enterprise should be the objective of the economic management system. Prices should correspond broadly to costs, with greater equality in the incomes of workers. The problems of prices and incomes have already been discussed, and their importance under workers' control has been emphasised. But success here too depends on balancing supply and demand for capacity, output and manpower in each enterprise.

The problem is to maintain a balance between constantly moving and unpredictable quantities : the adjustment process is the essence of real life planning problems as distinct from paper exercises. How this should operate depends on the industry. We distinguish three types of industry. What we shall call broadly the

" growth industries " are those growing substantially faster than national output, which are already capital intensive and becoming more so; which employ advanced technologies which are still advancing rapidly; and which expand not merely with the expansion of existing markets but by greater penetration of markets and the opening up of new markets, and the introduction of new products. This includes such industries as paper, chemicals, gas, electricity, water, data processing, oil and parts of engineering.

" Declining industries " are those growing substantially less rapidly than national output, which are not highly capital intensive; which employ basically long established technologies which are not developing rapidly; and which may expand somewhat with the expansion of their markets, but which are to a significant extent being displaced by newer products from industries with newer technologies. These now include parts of the food, drink, clothing, footwear, textiles, leather and furniture industries and parts of engineering.

" Steady industries " come between the " growth " and " declining " industries, growing about as fast as national output; they are of medium and usually increasing capital intensity. They employ much traditional technology which is being significantly replaced by new technology. They are expanding with their markets, being displaced by new products in some markets and penetrating further into others. They now include most of engineering, vehicles, metal goods, nonferrous metals, iron and steel, and most traditional building materials.

Neither an enterprise nor a neighbourhood need be confined to one type of industry and its continuing viability depends on steadily shifting its activities from currently declining sectors into growth sectors in the same or different industries.

Now consider the balance of supply and demand, or the pressure of demand in each type of industry. " Growth industries " generally show a short-run marginal cost well below total cost: an extra bit of output costs much less than total costs. It is thus highly profitable to operate as near full capacity as possible. But it is possible to carry this too far. At full capacity working it is impossible to increase output without further investment in new plant which takes two years or more to complete. As delivery periods lengthen and production schedules get chopped around uneconomically to meet insistent customer requirements, costs increase, market opportunities at home and overseas are lost for future growth, more competitors enter the market, and imports increase.

The strategy should therefore be to maintain a level of investment sufficient to avoid restricting growth, always maintaining a margin of spare plant capacity. This will produce the downwards pressure on prices which we argued earlier would be stronger in a worker controlled enterprise than in a managerially controlled enterprise. Also while the tendency in managerially controlled enterprise will be to restrict investment relative to opportunity, under the arrangements we have suggested a worker controlled enterprise will tend to invest more readily to avoid restricting future growth. A government strategy of controlling demand on a " growth industry " at a high level of demand just below full plant capacity should work more readily and less restrictively in a worker controlled industry than in a managerially controlled industry. In both cases the government should expect from the industry a level of investment adequate to maintain a small reserve of spare capacity in the future, but this would be more readily forthcoming in worker controlled enterprises.

" Declining industries " will generally have a fair amount of obsolete capacity. The marginal cost from the obsolete capacity will be significantly higher than from the later plant, so marginal costs will increase with demand. Furthermore since the industries are not very capital intensive and fixed costs will not be very high, marginal costs will often be higher than average costs. The result will be pressures for the release of resources from the obsolete capacity, and the scrapping of this capacity. To maintain a margin of spare capacity for "declining industries" as for "growth industries" would be to encourage stagnation.

The right strategy here is to transfer the resources and the manpower to "growth" activities, scrapping obsolete capacity, thus reducing costs and creating a restriction on supply in the "declining industry" which will raise prices sufficiently to enable those still in the industry to make a decent living. The tendency in managerially controlled enterprises is to hang on to obsolete capacity in the hope of better sales and profits, or even to survive at all. A worker controlled enterprise, under the arrangements we have proposed, would be able to write off the obsolete assets at no cost to itself, and build up its "growth" activities or transfer its workers to a neighbouring enterprise. With both worker and managerially controlled enterprises the strategy of the government should be to ease the process of rationalisation in the scrapping of obsolete plant, but again the response should be readier with workers' control.

The strategy of government and of enterprises is quite different in "declining industries" from in "growth industries", illustrating the inappropriateness of overall demand management as the basic principle on which the economy is now managed. From "steady industries" the appropriate strategy is a combination of those for "growth" and "declining industries", and in practice many enterprises will have "growth", "declining" and "steady" elements among their total activities.

An outline of an overall economic management system embracing these elements has been given elsewhere (Jeremy Bray, *Decision in Government*, Gollancz 1970).

In a sense the development of workers' control, and of a planning and economic management system to go with it, are independent developments. Worker controlled enterprises could operate though with greater difficulty under the present system of economic management, and the new system of economic management would be practicable, though more difficult with managerially controlled enterprises. But the two developments reinforce each other, Taken together they offer a way out of the dead end now reached by merely macro-economic policy.

other aspects of economic policy

There would be major implications for other aspects of the economic policy outside the enterprise in the development of workers' control. The reduction in the volume of equity and the increase in the volume of government securities on the market would have repercussions on other equity prices, property values, overseas investments, and pension funds. There would be effects on inward investment and the price of shares in companies facing the possibility of workers' control. The problems are such that any competent civil servant or city journalist could use them to strike terror into the heart of a timid Labour minister. They all need thinking through : in each case the nature of the problem and the appropriate solution will depend on what other economic reforms and changes are taking place at the time, such as the introduction of a wealth tax, land nationalisation, and international monetary reform. Similar problems have all been faced before. A difference is that with workers able to undertake workers' control on their own initiative, the government would have to adapt its policies to the pace at which workers' control was spreading. Such flexibility is perfectly possible and familiar enough in Whitehall in fields where it has long learned it is no longer the master.

international aspects

Many British enterprises operate abroad, and many foreign owned enterprises in Britain. The multi-national company has become a much discussed feature of the industrial scene. All the proposals we have made should apply to the activities and establishments of foreign as well as British owned companies operating in

Britain. The workers at Ford should be enabled to take over and run their own enterprise on the same basis as the workers at British Leyland. The basis of compensation to shareholders would be the same : the rules would have to cover unquoted and even unincorporated activities as well as quoted companies.

The more difficult problem would lie in the trading and technical links between operations in the UK and in the former parent company overseas. The arrangements possible under workers' control are however as flexible as those possible under managerial control. There is no reason why a worker controlled enterprise in the UK should not have a close link with a managerially controlled enterprise in the UK or overseas, for the supply of parts, know-how, sales outlets or any other purpose. These are the kind of arrangements that would have to be worked out in the preparation of the scheme for workers' control which has first to be ratified by the workers in the enterprise. It is open to the parent company to refuse any such arrangements, but then the workers are not without power too.

Britain has more investments overseas than foreign companies have in Britain. The point will be made that these investments would be put at risk by setting an example of workers' takeover in Britain. But it can equally well be argued that Britain's overseas investments are already subject not only to nationalisation, but to expropriation without compensation : it has been helpful to have examples in Britain itself of how nationalisation can be carried out fairly to say the least. It will be still more helpful to have examples within Britain of how a transfer of power to the workers of a kind likely to take place all over the world can be handled peacefully, in good order, and with due justice. It is a poor argument that we should maintain servitude at home lest we have to release our servants abroad.

8. political practicalities

This path to workers' control lies within a broad interpretation of Labour's Programme adopted at the 1973 Labour Party Conference. If a Labour government were to open the door, in how many enterprises would the workers' opt for workers' control? It would depend on the policy of the unions. Taking into account the industrial relations position, and economic factors, the first wave might include a substantial part of the motor industry and a number of engineering companies organised by the London District of the AUEW from the private sector, with corresponding moves in the public sector in coal and steel. As trade unions and workers gained confidence it would spread from there. So we are talking about practicable developments.

What chance is there of the Labour Party and a Labour government taking this path? The Labour Party is committed to a considerable extension of public ownership, not just by conference resolution, but by widespread and genuine feeling in the party. But it has yet to define the practical way of choosing which firms to take into public ownership. The deliberate and informed choice of the workers in a firm is a practical and relevant criterion. It would also make it more dificult for opponents to criticise: Mr. Cube would not be too convincing with the slogan "Sugar workers! hands off."

Labour ministers themselves may not at first like the idea of such powers of initiative passing to other hands. But faced with the alternative of being ground between the party on the one hand and powerfully embattled interests on the other, they may discover the advantages of acting as lions of democracy. The party situation is open, and the initiative lies with the unions.

There will be some hostile public attitudes. But many people are prepared to accept that power and responsibility should be more widely shared, and feel entitled to more themselves. Their attitude will be, "If they want to run their own show, good luck to them."

Workers' control will be no panacea. It is simply the recognition of a human right—the right to democracy at work—a right as fundamental as the right to democracy in politics. It will be the end of a subservience intolerable to an educated, intelligent work force. Future generations will ask why we did not recognise it earlier.

appendix

The analysis of the behaviour of a worker-managed economy, and designing appropriate policies at the enterprise, industry, national economy and international levels will be demanding tasks for economists. A useful start has been made in the following :

Jan Vanek, *The Economics of Workers' Management : A Yugoslav Case Study* (Allen and Unwin, 1972).
Jaroslav Vanek, *The General Theory of Labor-Managed Market Economies* (Cornell, 1970).
J. E. Meade, *The Theory of Labour-Managed Firms and of Profit Sharing*, Economic Journal (March 1972 Supplement).

The first is a sympathetic but candid account of Yugoslav experience in its historical context by a Czech-born, Serbo-Croat speaking, ILO economist with access to original Yugoslav material. The second is an entirely theoretical study by his brother, Professor Jaroslav Vanek, of Cornell University. The third is a critical review and development of Jaroslav Vanek's analysis. With certain assumptions, Jaroslav Vanek and Meade conclude that a rise in the selling price of a Producers' Co-operative would in the short run lead to a reduction in the amount produced—which would indeed be highly perverse and inefficient, not to say anti-social, behaviour. However even with their assumptions, their conclusions are false for even the simplest case of such a factory, namely where a certain number of " indirect workers " are needed whatever the output, with thereafter the volume of output increasing proportionately to the number of " direct workers " up to the limit of capacity of the factory. Such a factory, whether capitalist or producer co-operative, would operate at full capacity whatever the price in the circumstances assumed by Meade and Vanek. Theoretical models of Producer Co-operatives can raise a lot of good questions, but it has not been established that a Producer Co-operatice is an inherently less efficient form of enterprise, even in the crudest economic terms in a free market economy, than a capitalist or managerially controlled enterprise.

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