

changed three constitutions in the first twenty-five years of development of workers' management. An inappropriate legal and institutional setting renders most trivial problems, otherwise solved automatically, extremely complicated; it takes a lot of time, energy and ingenuity to sort the things out. An alien system generates unnecessary costs.

(e) Ideology and vested interests complete our list. In a capitalist setting, a worker-managed firm is a deviant. Even well-intended business producers and authorities do not know how to treat it. Does it represent a business or a political risk? What criteria should one apply? The trade union finds its position utterly ambiguous. Here, who is the employer and who is the worker? What about working class solidarity? What is the role of a trade union in a worker-managed enterprise? Is there any? Thus, all well-intended members of the establishment are bound to be highly suspicious. But not everybody is well-intended. Those who are not will be openly hostile. Efficiency improvements even within existing firms will be opposed if they conflict with the ruling ideology and the vested interests. »As long as the authoritarian firm makes a normal or reasonable profit, the people in power prefer to maintain the established order rather than create a more efficient but democratic organization. The goals of preserving the existing differences in power, status and incomes are by far more important values than the overall efficiency of the firm.«<sup>27)</sup> It is a simple fact that the efficiency potential in a microeconomic organization can be exploited only if the macroeconomic, indeed social, environment is changed appropriately.

Changes in social environment require persistent political struggle. The fundamental strategy of this struggle is, as our analysis indicates, to do whatever helps human development for socialism is the other word for humanism.

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#### PUTEVI PRIJELAZA NA RADNIČKO SAMOUPRAVLJANJE U RAZVIJENIM KAPITALISTIČKIM ZEMLJAMA

Branko HORVAT

##### S a ž e t a k

Radničko samoupravljanje postepeno postaje tema dana. Van Jugoslavije određeni pokušaji učinjeni su u još dvije manje razvijene zemlje, Peru i Alžiru. U razvijenim zemljama najkonkretnije programe za postepenu socijalizaciju sredstava proizvodnje i zavođenje samoupravljanja izradili su švedski i danski sindikati. U ovom radu autor raspravlja osnovne probleme prijelaznog razdoblja i pokušava formulirati generalnu strategiju prijelaza.

<sup>27)</sup> L. E. Karlsson: »Experiences in Employee Participation in Sweden: 1969-74«, *Economic Analysis and Workers' Management*, 1975, 296-330, p. 316.

Autor konstatira da su se različite prognoze o automatskom slomu kapitalizma uslijed rastućeg jaza između radnika i poslodavca, uslijed sve žešćih privrednih kriza i uslijed nemogućnosti osvajanja novih tržišta nakon raspodjele kolonija — pokazale kao netačne. Usklađivanje ponude i potražnje i korekcije u raspodjeli dohotka ne predstavljaju nepremostive zapreke za kapitalistički razvoj. Barijera se, međutim, pojavila u samoj osnovi društvenih odnosa: kapitalizam nije u stanju da zadovolji ljudske potrebe za samoodređivanjem u procesu proizvodnje. Kriza u zadovoljavanju potreba može se razriješiti jedino uklanjanjem hijerarhije i razvijanjem samoupravljanja.

Ako jedan društveno-ekonomski sistem ne uspijeva zadovoljiti neke osnovne potrebe, njegova legitimnost bit će dovedena u pitanje. Odatle kriza legitimnosti savremenog društvenog uređenja u najrazvijenijim kapitalističkim zemljama.

U uvjetima krize zadovoljenja potreba i krize legitimnosti, aktivnost radničkih sindikata i socijalističkih partija je prilično jednoznačno određena. Umjesto prostog negiranja postojećih odnosa oni mogu i treba da se orijentiraju na izradu realnih alternativa. Uz pretpostavku da sindikati organiziraju većinu zaposlenog stanovništva a socijalističke partije su usvojile vlast — ti uvjeti danas realno postoje u nekoliko evropskih zemalja — autor analizira šest mogućih pravaca djelovanja. Od njih su dva od posebne važnosti: postepeno proširivanje učešća u upravljanju poduzećima i socijalizacija kapitala putem uplaćivanja dijela profita u vidu dionica u općedruštveni fond kapitala. Ovo posljednje znači ni manje ni više nego korištenje mehanizma kapitalističkog tržišta za eksproprijaciju privatnog kapitala.

Na kraju autor razmatra pitanje zašto će poslodavci biti prisiljeni prihvatiti politiku koja vodi eksproprijaciji privatnog kapitala.

#### EMPLOYEE INVESTMENT FUNDS

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One of the most important subjects discussed at the Congress of LO (The Swedish Trade Union Confederation) in June 1976 was that of Employee Investment Funds. The subject had been raised at the previous LO

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Congress in 1971, and at that time the *Executive Board* was instructed to look into the question of industry-wide or branch funds and other types of funds for accumulating profits and employee savings for capital purposes within companies. The *Board* asked Dr. Rudolf Meidner to investigate the whole subject and, in collaboration with some colleagues, he produced a report entitled *Collective Capital Formation through Employee Funds* for discussion at the 1976 Congress.

The following summary of the main features of the report is based on the narrative which the *Executive Board* submitted to the Congress in support of the report and recommending the Congress to accept its main principles. The main points of the Congress discussion and decision are also set at the end of this summary.

#### Fundamental Arguments

For many years now the wages policy of solidarity has formed the basis for the co-ordinated wage policy which the LO member unions have pursued. The objective of this policy is to narrow wage differentials between different groups of employees. Differences between companies with respect to profitability must not lead to a situation in which employees engaged in similar jobs find that they have markedly different pay levels.

This policy of greater uniformity has been successful. The low wage groups have had the support of the whole trade union movement in their efforts to improve their relative wage position. At the same time, high wage groups whose relative pay position has been favourable have refrained from taking full advantage of the capacity to pay higher wages which exists in more profitable companies, and this particular phenomenon has long been regarded by the unions as an undesirable side-effect of the solidarity wages policy. Sometimes this 'unused scope for pay increases' has been termed 'excess profits,' and the strains on wage solidarity have increased with the success of the policy. The excess profits problem has become a particularly sensitive one when business has been booming and profits have been high in certain sectors of industry.

The problem is by no means a new one and attention was drawn to it in the report on Wage Policy submitted to the 1971 LO Congress. A number of motions took the subject up as well, envisaging that a solution was to be found either via a higher profits tax or through some form of funding scheme. The latter idea, that of setting up some kind of fund, was linked to proposals which had been put forward in reports submitted to the 1961 and 1966 LO Congresses. As indicated above, the 1971 Congress invited LO to examine the whole subject.

It is important to notice, however, that the wages policy of solidarity and its awkward consequences for income distribution policy is only *one* of the factors underlying this investigation. A *second* relates to a very much more fundamental and all-embracing problem of distribution, which has its roots in the fact that a significant proportion of capital growth in Sweden occurs through self-financing on the part of companies and thus accrues to the owners of capital. This problem is not new either. As a matter of fact, self-financing on the part of industry, i.e., its capacity to pay for a substantial part of its capital formation out of its own profits, is a distinctive feature of our economic system. The Swedish tax system favours this self-financing through various concessions which it allows for retained earnings which are used to finance new investments.

Although LO takes the position that the expansion of industry ought increasingly to be financed through savings organized in a more collective manner, some degree of self-financing does have to be accepted. What people are beginning to question on the other hand — and in that sense Sweden has begun to debate a theme which has long been under discussion in some Western European countries — is whether the whole of the increase in assets which accompanies self-financing is to accrue to the existing owners of the capital. The question becomes more and more topical as the needs for more capital formation increase and as this additional capital formation leads to concentration in newer and larger economic agglomerations. In other words, the dilemma has become increasingly acute, between the cry more investment on the one hand and the demand for greater justice in the structure of ownership on the other. In some countries, the call for greater equity has evoked proposals for reforms which have found support beyond the ranks of the trade union movement. Sweden is one of the few countries in which this question has so far been comparatively neglected in public debate.

Now that the subject has been raised in Sweden, it is natural that the trade unions should emphasize one aspect of it which has not been so obvious in other countries, that of employee influence. The demands by the unions for more employee influence within companies made a breakthrough at the 1971 LO Congress. Since then, there have been some major reforms in working life, and we are on the threshold of a new and comprehensive reform which marks an important step on the road to greater democracy at work. (We refer here to the Co-determination Act which was approved by the Riksdag early in June 1976, and which comes into force at the beginning of 1977.) At the 1971 LO Congress, the *Executive Board* expressed the view that employee influence within enterprises ought mainly to be grounded on the *work contribution* of the employees. This principle remains.

But it is obvious that economic concentration in our society has gone so far that the accompanying accumulation of power is an increasing obstacle to democracy at the place of work. Thus, a *third* subject taken up in this enquiry has been that of finding ways in which employees can exercise influence on the basis of their contributions of capital to business enterprises.

The work of the Meidner group has accordingly been based on three arguments which the trade union movement considers fundamental:

- 1) to find a system to support the solidarity principle in wages policy;
- 2) to counteract the concentration of assets, and hence of power, which goes along with industrial self-financing, and
- 3) to reinforce via participation in ownership the influence at the place of work which employees have obtained primarily through the reforms in labour legislation.

#### The Essential Features of an Investment Fund System

The terms of reference for the Meidner enquiry gave a good indication of the direction in which the LO Executive Board and the 1971 Congress considered the group should proceed in its work, in the references which were made to some form of funding and to trade union involvement in capital formation on a collective basis.

The group chaired by Meidner has taken the idea of collective capital formation via employee funds as its starting-point and has sought to devise a system which could meet the three objectives stated above without, at the same time, making it more difficult to achieve other essential objectives of economic policy to which the trade union movement subscribes — full employment, a high investment ratio, and as stable a level of prices as possible. Nor should any investment funds scheme encroach on the freedom of the unions to pursue an active wages policy aimed at obtaining for employees as large a share as possible of the resources which are available for consumption in the economy.

A system of funds must accordingly include a number of basic elements which, in turn, determine the specific form which the system takes. The most important element is that employees can only share in the growth of capital *provided the capital remains within the firm in the production process*. Every withdrawal of capital, whether immediately or after a prescribed interval, would lead to higher consumption and would also make it correspondingly more difficult for the employees to acquire any additional influence over the production process, which is of course one of the main objects of the scheme. If the capital of the fund is allowed to

remain in the production process, it would also run counter to the objectives of the system to allocate individual shares to employees. The study group draws a parallel here with the members of a consumers' co-operative, who own the capital of the association in common without having any claim to withdraw 'their' particular shares. In fact, withdrawals of this kind would prejudice the future of the co-operative. The *Executive Board* of LO supports what the report says about the fundamental principles of a system of funds.

Collective capital formation is therefore the central feature of a possible system of funds. Moreover, it is only via collective ownership that employees can work together towards greater democracy in industry. Every type of individual profit-sharing scheme is irreconcilable with these specified objectives for employee investment funds. The *Executive Board* considers that the conclusions of the study group are in accord with the position which LO has adopted on this question for many years.

Other elements in the system of funds relate to the objective of reinforcing the pay policy of solidarity. *The capital of the funds ought to be accumulated out of company profits*, and appropriations to the funds should therefore be related to profits, even if other solutions might prove technically feasible or indeed simpler. However, it has to be remembered that one of the strongest justifications for undertaking this study was the very point that the profits of high-wage firms are inaccessible to a wages policy based on solidarity; participation by employees in the growth of capital ought to be tied to company profits. Another way of expressing the idea of solidarity is to say that the benefits of the funding scheme ought to accrue to all employees, wherever they are employed. This principle *excludes any form of funding linked to individual companies* since this would necessarily favour people employed in profitable companies.

One further and final principle should be stressed as a point of departure for trade union discussion of various models of employee investment funds. It relates to the question of whether employee influence is to have legitimacy conferred on it through the contributions of work which people make or via the part which is played by ownership. In the judgment of the *Executive Board* *it is work as such which provides the justification for the demands which the unions have put forward for more democracy at the place of work*. The most important and urgent task for the trade union movement is to invest the legal rights which are now in the process of being established with a specific content.

The simultaneous concentration of private ownership and power works counter to this pursuit of greater democracy. It is logical on the grounds both of equity and influence for the unions to try to find ways of countering these tendencies to concentration by gradually transferring a proportion of this capital growth, and the associated power over the means of production which it gives to employees. The *Executive Board* is most emphatic in stating that the trade union movement has no intention of growing in this way into the part which was played by the existing owners of the capital; the development is to be viewed instead as *one element in the process of democratization of economic power*. Trade union

co-ownership via employee funds should not be regarded as an alternative to the reforms in labour law but rather as a means of reinforcing them, initially through the strength which the resources of the funds can provide and, in due course, through the direct influence on management which at present is in the hands of the owners of private capital. The funds must therefore be constructed in such a way that a strong local employee influence on the fund capital is ensured.

To summarize: the employee funds must be collective funds, not tied to individual enterprises, and their capital will be accumulated through transfers of share capital related in some proportion to profits. The capital should be administered in ways which provide for a prominent influence on the part of the local unions, and the capital should remain as working capital within the firms in which it has been built up.

#### Possible Structure of the System of Funds

Employee shares corresponding to a certain proportion of company profits before tax, but net of depreciation, would be paid into a central equalization or *clearing fund*. Its purpose would be to administer the capital of the fund and to disburse that part of the yield or income of the fund which did not have to be pre-empted for the purchase by the fund of any new share issues made by companies. This remaining income would be used to promote trade union activities among all the members, with priority being given to employees in small firms. Other possible uses of the income would be for trade union education and training, safety at work, research, and cultural and recreational facilities.

The Board of the clearing fund would be elected by all the participating unions. It would not itself exercise the voting right to which its holdings of shares entitled it, so there would be no question of the central fund become a concentrated powerhouse, as many critics have suggested. One way of exercising voting rights would be for the voting rights up to 20 per cent of the issued capital of each company to be exercised by the local trade union; this would of course involve an enormous decentralization of ownership and the influence which goes with it. The right to vote for holdings in excess of the 20 per cent, would be exercised by industry-wide or *branch funds*. Their Boards would be selected by the unions in that particular industry and by other unions in equal proportions; there would also be provision for a number of publicly appointed members. The union local branches would be entitled to nominate candidates for those places on Boards of Directors of companies which the voting rights of the branch warranted.

The object of the proposed rules is to find a suitable balance between the need to disperse influence among as many people as possible and the need to have some kind of co-operating body covering employees in different companies. The branch funds can serve at the same time as a guarantee against companies being utterly self-centred.

#### The Congress Decision

The *Executive Board* stressed that the Meidner Report was setting out the basic principles plus an outline sketch of possible arrangements. The Congress accepted these guidelines as the basis on which to pursue the matter further. The Executive Board also indicated that it wished to keep an open stance on the various detail of the possible scheme that might finally be adopted, such as the rate of build-up of the funds, the scope of the system, and the administration of the funds. A Royal Commission under the chairmanship of one of the country governors in Sweden, Mr. Mehr, has recently been appointed to look at the whole subject of 'employees and the growth of company capital', and the Executive Board made it clear to the Congress that it expects the Royal Commission to make detailed proposals, on which LO will then be able to make detailed comments which take account of the points made at the Congress.

Two important technical questions which speakers discussed in the Congress debate related to the size of companies to be covered by the scheme and the categories of ownership to be included. The Meidner Report had originally suggested that firms with a labour force of 50 (alternatively 100) or more would be the minimum size of company to be covered, but with employees in smaller companies enjoying a certain priority in the disbursement of the revenue from the central clearing fund.

The Congress agreed, however, to leave the question of minimum size open to further study. As to categories of ownership, it is generally agreed that enterprises run by central and local government authorities should be excluded, together with consumers' co-operatives, since they are not profit-making enterprises in the usual sense. Further thought will have to be given to the treatment of producer co-operatives, for example in the food, timber and forest products sectors.

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#### INVESTICIONI FONDOVI ZAPOSLENIH

Rudolf MEIDNER, Anna HEDBORG i Gunnar FORD

#### Rezime

Juna 1976. godine Kongres Konfederacije švedskih sindikata (LO) odlučio je da zatraži da se u Švedskoj uvede sistem kolektivne akumulacije kapitala preko fondova zaposlenih. Izuzetak bi činila preduzeća kojima upravljaju centralne i lokalne vlasti, kao i potrošačke kooperative. Kongres je tom prilikom usvojio osnovne principe i nacrt institucionalnih aranžmana kao osnove za dalju razradu. Ove smernice, koje je izradio Dr Rudolf Meidner u saradnji sa grupom saradnika, podnete su u obliku izveštaja LO Kongresu.

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

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

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

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

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

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

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

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

## THE BULLOCK REPORT

Derek C. JONES\*)

## I INTRODUCTION

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

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

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