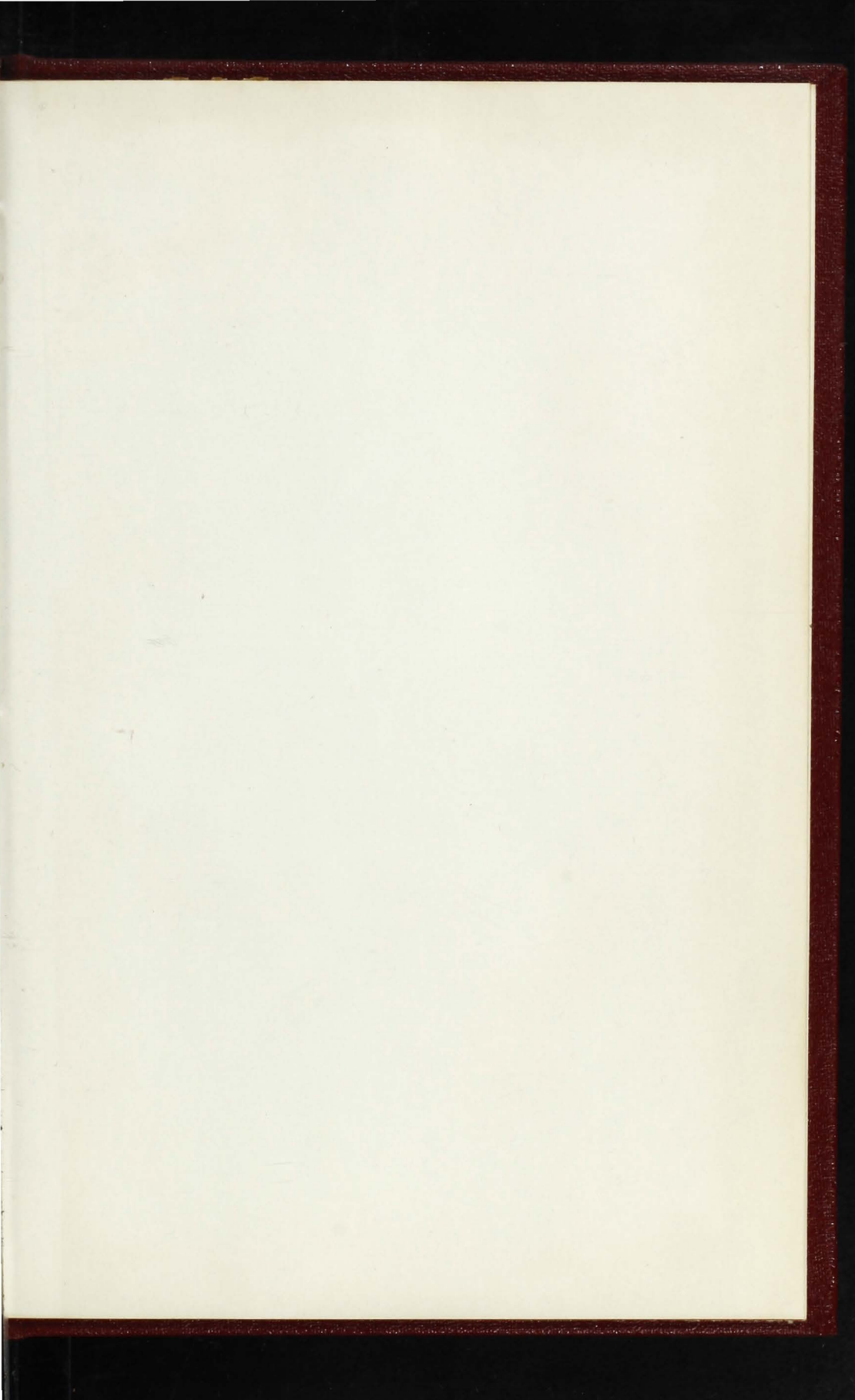


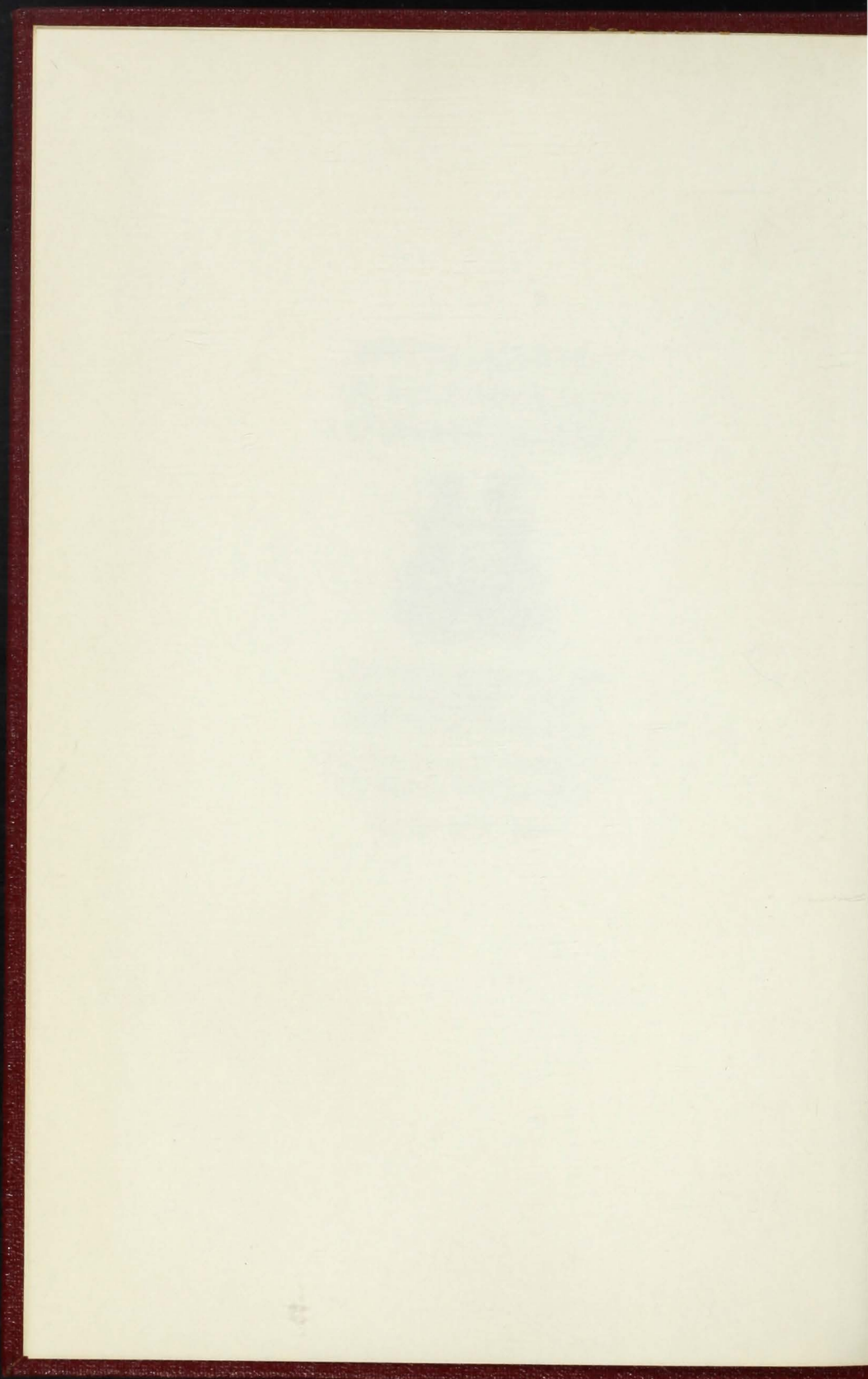
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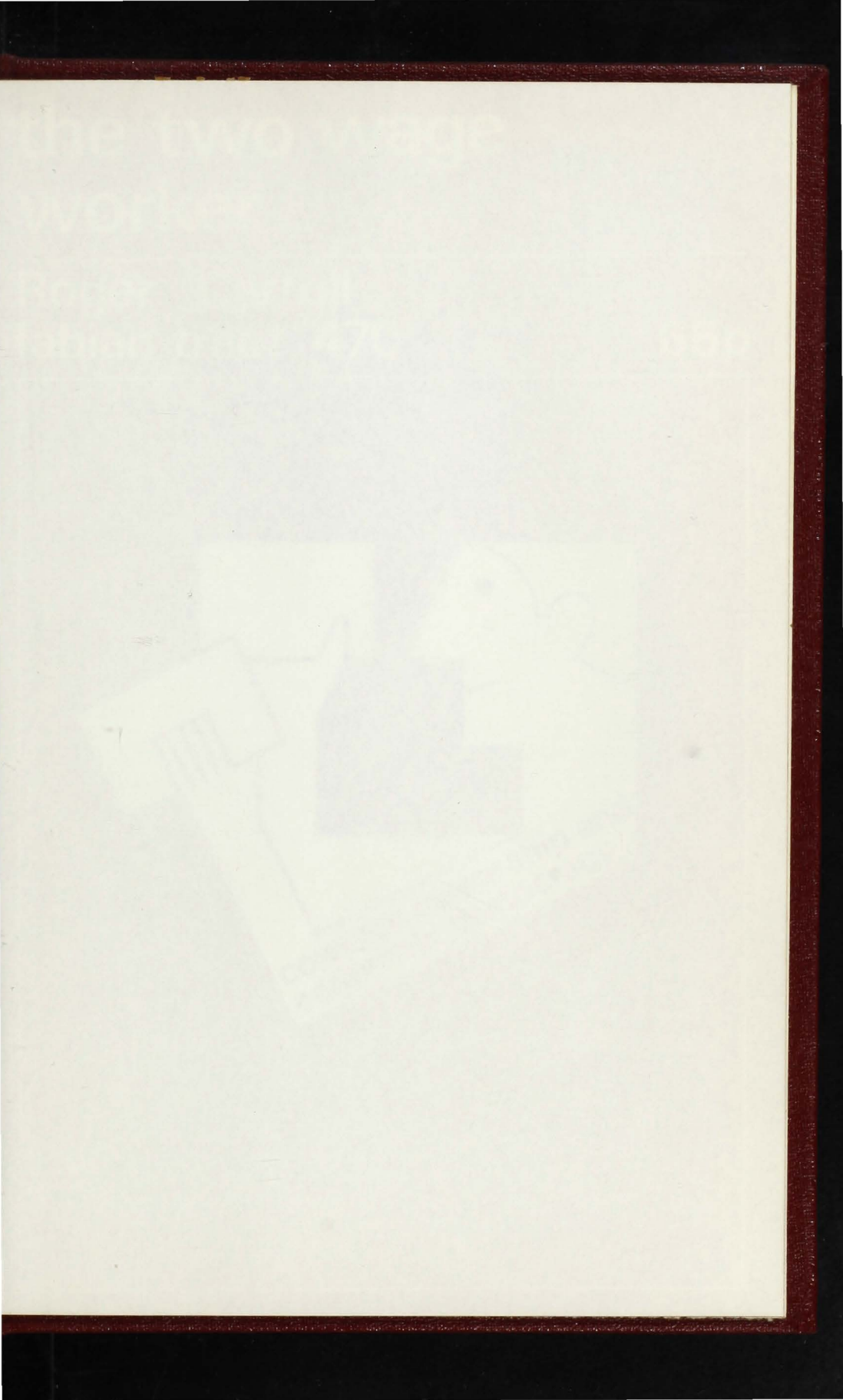


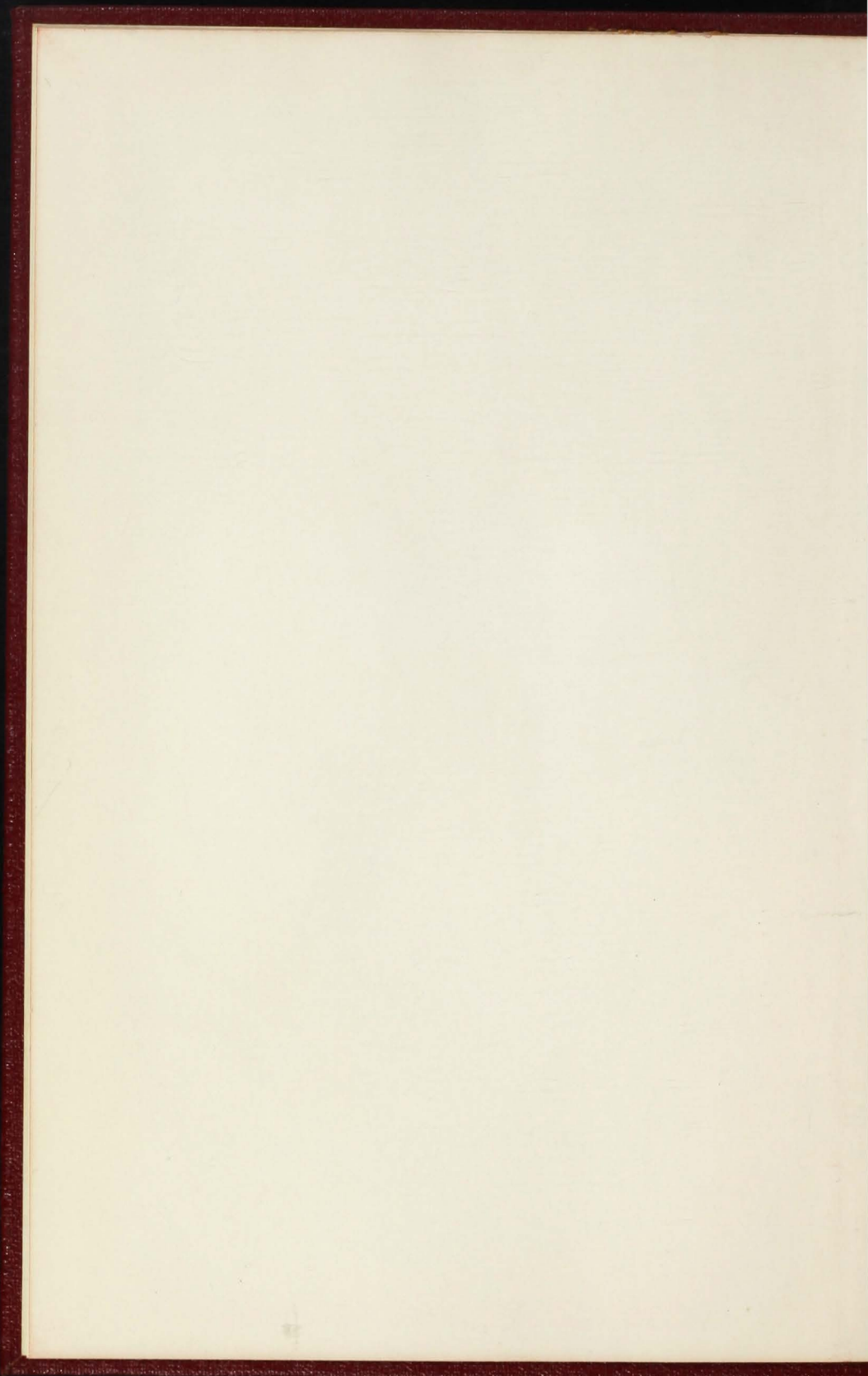
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the two wage worker

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(470)

Roger Carroll
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the two wage worker

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this pamphlet, like all publications of the Fabian Society, represents not the collective view of the Society but only the views of the individual who prepared it. The responsibility of the Society is limited to approving publications it issues as worthy of consideration within the Labour movement. Fabian Society, 11 Dartmouth Street, London SW1H 9BN. October 1980 ISSN 0307 7535 ISBN 7163 0470 8

1. introduction

There comes a time after an election defeat when a serious party of Government has to declare close season on recriminations and face the future.

Successive Labour Governments have, on occasion, seemed like the Tory second eleven, struggling to put a human face on the existing system when their supporters ached for radical change. But they frequently had no secure majority and always were fated to inherit command of the lifeboat right in the path of an economic tidal wave. Try planning for the decade when you are bailing by the minute and liable to be dismissed by the hour.

Even so, the Governments of Harold Wilson and James Callaghan made life significantly better for the disabled, for pensioners through linking the pension with pay and for young families through the introduction of the child benefit. Though their legacy from the Tories included price inflation on course for 26 per cent, Jim Callaghan left office with inflation down to single figures and with living standards, measured as real personal disposable income, up by 6 per cent in Labour's final year. Indeed the momentum continued through the first otherwise dreary Thatcher year so that real personal disposable income had risen by no less than 19 per cent in the 2½ years to the end of 1979.

Labour Governments have, by and large, proved more competent and humane managers of the *status quo* than the Tories. The sense of disappointment arises from our failure so far to translate in any really radical way socialism's traditional ideals of equality, fairness and concern for our neighbour into policies that are realistic and relevant to the present generation. We live in the 1940s, hide behind Nye Bevan's health service achievements and lazily define public ownership almost exclusively in terms of Herbert Morrison's brand of nationalisation—the same foremen, different hats.

We can survive as a museum piece. But to grow again we must dare to go back to first principles and from there build

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a programme which relates directly to the lives of working people and their families in the 1980s and beyond. In so doing, and provided we do not take fright at the first glimpse of unconventional thinking, we might as a useful byproduct greatly diminish the Left-Right division which affords the Tories so much not-so-harmless pleasure.

Because the world economic crisis is so grave we have no choice but to make the crisis itself our starting point. Bitter experience reminds us that unless we get the economic framework right any number of desirable spending plans are doomed.

Economic policy making is made more complicated because today's better educated and independent minded working men and women are not pawns on the board: they have the clout to break or to make a Government's strategy.

I am convinced that no policy will endure, or deserve to endure, that does not award them their proper share in decisions that shape their working lives *and* a direct personal stake in the industrial wealth their labour produces. In other words, the two key aspects of Labour's clause IV—ownership and control—though updated in terms of the individual working family and not interpreted solely in terms of remote bureaucracies.

2. economic democracy

“To secure for the workers by hand or by brain the full fruits of their industry and the most equitable distribution thereof that may be possible upon the basis of the common ownership of the means of production, distribution and exchange, and the best obtainable system of popular administration and control of each industry or service” (The constitution of the Labour Party: clause IV (4)).

At the best of times politics and government are a confused swirl of events rather than a logical and smooth voyage from one chosen port to another. Great advances that appear in the comfortable afterglow to have followed automatically from the general acceptance of obvious principles were most likely wrested in long and messy struggle. Merely winning an argument of itself solves nothing.

Our political democracy—enshrined in the right of all adults to vote in a general election every four or five years—is a cornerstone of our freedom and way of life, if also as much an object of endless self congratulation as the superiority of our policemen and the invincibility of our footballers. But of course it is not by itself enough. To achieve its full meaning political democracy must be bolstered by economic democracy—basic, down-to-earth rights for every man and woman at their place of work and a reasonable personal share in the wealth of industry for each citizen.

inequality at work

Company director and shopfloor worker march side by side on election day into the polling booth and cast votes of equal value. For the remaining 1,825 days of the parliamentary cycle they are locked into a master and man relationship. Our two nations at work are symbolised by different clothes, different canteens, different pension schemes, clocking on for some, perks for others, even different lavatories with different standards of cleanliness.

Underlying these surface distinctions is the fact that working men and women

have next to no influence over the working environment and the decisions, great or petty, that bear upon their lives at the office or factory and settle to a great degree whether they are happy or unhappy, work with enthusiasm or do the minimum.

A common factor, in trends as diverse as Greenpeace or the adoption of small businesses as political flavour of the month or the anti-nuclear campaigners or union-employer get-togethers in the Industrial Society is a deepening anxiety that industry has become oppressively remote, has lost harmony with its environment and, above all, fails to meet its workers' real, if rarely articulated, wish to be treated at their proper human as well as financial valuation.

The present Tory Government, led by a Prime Minister who says the importance of the Good Samaritan is that he was rich, is far from understanding let alone solving the problem. By contrast, the principles hammered out from practical experience by Labour's founding fathers are now more than ever relevant to the community's needs. It is the absence of basic democracy in industry—and working people's instinctive reaction to this injustice—which has more than anything else put Britain's economy and those of other major OECD countries on the critical list. We may blame OPEC oil exporters or the eyes-shut dogma of the Thatcher regime for making a bad job worse. But not, if we are fair, for creating the present crisis of capitalism.

a theory of ownership

Work is an important part of a person's life, not only for the money earned but for the job satisfaction, the companionship and the feeling of being a useful and valued individual. Although this may seem a statement of the obvious, the whole thrust of capitalist society has been to deny it.

If there is any theory of work that has governed British industry since the rise of capitalism it is a proprietorial theory.

The job, just as much as the firm, is seen as the property of the employer. The worker is the production unit who carries out the job.

This contrasts with the pre-industrial tradition that property was the creation of the law for social purposes. According to this older tradition, the rational justification of property was as a system of rights and duties.

This conception of property is most easily intelligible in a society where agricultural land is the principal form of private property. The land and its products are known and visible to all. Thus the duties of the landlord to his tenants and hired labourers can easily be defined. But when the main forms of property became intangibles, like commercial paper, stocks and bonds, it remained easy enough to assert the presumed rights of property but became difficult to define the duties. This gave rise to feelings of guilt. Sir William Blackstone the eminent 18 century jurist (*Commentaries on the Laws of England*) conceded: "Pleased as we are with the possession, we seem afraid to look back to the means by which it was acquired, as if fearful of some defect in our title . . . not caring to reflect that (accurately and strictly speaking) there is no foundation in nature or in natural law, why a set of words upon parchment should convey the dominion of land: why the son should have a right to exclude his fellow creatures from a determinate spot of ground, because his father had done so before him: or why the occupier of a particular field or of a jewel, when lying on his death bed, and no longer able to maintain possession, should be entitled to tell the rest of the world which of them should enjoy it after him." The only reason the law intervened to assign ownership to particular individuals, he argued, was to "promote the grand ends of civil society". The ultimate title to the property lay not with the owner but with the community as a whole. And the property rights of the individual were the creations of laws which had, as their main intention, not the gratifying of individuals' acquisitive

instincts but "the grand ends of civil society". In Blackstone's words "the earth and all things therein are the general property of all mankind, exclusive of other beings, from the immediate gift of the creator".

Sadly Blackstone succumbed to the mean and acquisitive climate already building up among his Establishment contemporaries in the middle of the eighteenth century. He broke with the tradition of social responsibility he had so stirringly defined. Quickly thereafter the theory became established that property was an absolute right, with no corresponding duties.

Walter Lippman in *The Public Philosophy* (Hamish Hamilton, 1978) commented "Absolute private property inevitably produced intolerable evils. Absolute owners did grave damage to their neighbours and to their descendants; they ruined the fertility of the land, they exploited destructively the minerals under the surface, they burned and cut forests, they destroyed the wild life, they polluted streams, they cornered supplies and formed monopolies, they held land and resources out of use, they exploited the feeble bargaining power of wage earners".

The proletariat were forced to bow to the rights of the owners. The owners were free to ignore the needs of the proletariat because the duties which previously justified the existence of private property were no longer acknowledged let alone enforced. Africans could be bought and sold as slaves, English children sent up chimneys and down mines and famine stricken Irish let die in their millions in the name of property rights.

Inevitably conflict arose between the "two nations", the handful who owned the earth and the masses who had nothing to lose. The socialist response to the greed of the property men was encapsulated in the saying of the French workers' leader Blanc (later borrowed by Karl Marx): "From each according to his ability, to each according to his need". Against the immovable determination of the owners

not to yield an inch was set the irresistible Marxist notion that all private property should be abolished and a dictatorship of the proletariat instituted instead.

Muted echoes of the selfish individualism of the nineteenth century owners float around Margaret Thatcher's Downing Street. But the choice between unrestricted private ownership of industry and communist collectivism is today a false dilemma. Everything we know of life in the Gulag should warn democratic socialists why Soviet collectivism is even less appropriate than Thatcherism.

A fairer, and ultimately more efficient, theory of industrial ownership and work involves reimposing the specific duties of ownership that once accompanied the rights. It involves too a reawakened recognition of the specific rights of workers: both to a direct personal share of the wealth they create and the right to know what is going on in their company and to participate in the workplace decisions that shape their lives.

3. the permanent crisis

The most serious symptom of the crisis of capitalism began to emerge some decades ago. It relates to the relative shares of national income taken by pay and by profits.

Curiously, though the income trend now clearly identifiable is dangerous enough ultimately to induce in the capitalist economy the same terminal condition forecast by Karl Marx, it is exactly the opposite to the income trend assumed by Marx.

Marx transferred to industry David Ricardo's eighteenth century analysis of agricultural incomes. Marx accordingly thought industrial wages would decline and profits grow as a proportion of total income. In fact between 1840 and the 1940s the ratio of pay to profits was fairly stable or, as Keynes put it, a "magical constant". This long term constancy of what is known as "wage ratio" (the proportion of income taken by wages) came to be called Bowley's Law, after Arthur Bowley, the pioneer of statistical studies of income distribution.

Sometime soon after the second world war, the constant relationship of pay and profits was destabilised. Pay began to eat up a larger share of income while profits grew thin. Now a fundamental threat to the industrial economies is not Marx's anticipated overaccumulation of capital, but capital underaccumulation. A knee jerk Tory reaction at this point might be to blame everything on the supposed power of the trade unions. Interestingly, though, the drift from profits to pay appears to have occurred irrespective of whether countries have Left or Right governments, strong or less strong unions. Martin Paldam's wage-profit ratio series for the 17 major OECD countries over the last 30 years seems to indicate that the balance shifts to wage earners as an economy matures, not as its political complexion changes ("Towards the Wage-Earner State", *The International Journal of Social Economics*, Vol 6, No 1, 1979).

On average, the wage ratio has increased by 20 per cent of net national income

since the war in OECD countries. Part of this is harmless and due to the steady drift of workers from capital intensive manufacturing to labour intensive services. But the residual increase in the wage share is still disturbing. It suggests a corresponding slump in the profit share of national income.

Why should socialists grow grey hairs over what would thus appear to be a transfer of resources from profits to wages? Are we not in politics to secure a "fundamental and irreversible" tilt in the balance of wealth?

The answer is yes, but not in this fashion. For it is ultimately from industrial profits that society reaps the extra money to invest in the factories and machines and services needed to secure full employment, real increases in personal spending power plus the taxes we require for good schools, hospitals and pensions. Income which is diverted into over consumption—and higher imports—instead of into profits and thence into more job creating investment inflicts damage upon the entire community.

Furthermore, the wage share of national income has a ratchet effect; it goes up but, exceptional years apart, does not go down. This makes the economy far harder to regulate. And to the extent that Keynesian demand management appears less effective nowadays, it may be because the wage ratchet allows governments to fine tune in one direction only. Another cost of the wages ratchet effect is that it makes devaluation more or less ineffective.

Every big external cost to a country, such as an increase in OPEC oil prices, automatically bites into profits. With the removal of the economy's self-righting mechanism, the crisis is prolonged and deepened.

To illustrate how the world economy's arteries have hardened, contrast the speed of recovery from the rise in raw material costs caused by the Korean war in 1950/51 with our inability to come to terms, seven years after the event, with

the first big OPEC price rise—let alone the second. Profits have taken a disproportionate share of the strain relative to wages.

Yet it is impossible, in the context of our present political-economic stew, to plan a fair split of the proceeds between capital and labour to help ensure that today's excessive increases in wages and salaries do not destroy today's profits and tomorrow's jobs and living standards. Especially when the industrial conflicts that arise so regularly over relativities and differentials and the harmful impact on prices of over the odds pay settlements are added in. The remarkable success of economic forecasters' "unit cost equations"—in which labour costs are the single biggest element—in forecasting inflation makes it hard to deny that labour costs do greatly bump up price inflation.

Taking these three ingredients together—the slump in profits relative to wages, the instability in industrial relations when differentials and relativities are left entirely to muscle and chance and the link between labour costs and prices—the case is formidable for a fair and orderly planning of pay; in other words, an incomes policy.

the trading and industrial context

At this stage it must be emphatically acknowledged that an incomes policy, though necessary to Britain's recovery and reindustrialisation, is by no means sufficient in itself. With just an incomes policy, for instance, it is easily possible to end up doing nothing beneficial for the profit share if the wage share is held down. All that might happen is something like this: initially profit margins are increased but simultaneously the volume of demand is lowered; the extra unit profits are not invested but used as bank deposits; the bank deposits are then lent to consumers to enhance their immediate spending power—as if there had never been a pay policy. The longterm benefit would thus be illusory and the distortions very considerable.

Incomes policy is therefore one strand among several which should be woven together into a socialist strategy for economic recovery. Two other strands which should be mentioned are import controls and state intervention in industry.

Industry will not take the risk of expanding on any durable basis until it sees the guaranteed home market that—at least in the first few years—only import controls can provide. Vigorous government cooperation with industry will be necessary to take Britain's reindustrialisation to the point where companies' growth becomes self-sustaining.

In many countries, of widely differing political colours, the state involves itself closely with industry. The state infuses large amounts of capital, using a variety of techniques, into industries from which private concerns are deterred by the risk of low profits or even losses. Is it more likely that nearly all the world is out of step with Sir Keith Joseph or that Joseph's doctrinal hostility to industrial intervention will be judged in years to come as an act of casual vandalism inflicted on entire industries and regions and on the men and women who rely upon them? The state has, and should use, the financial resources to join in an effective three way partnership with unions and management.

All the Thatcher Government has to offer, by contrast, is in essence a crude, old-fashioned slump, hiding behind the trendy intellectual figleaf of monetarism. In little more than a year, the Tory way has doubled inflation, reduced the spending value of the pound to under 80p, raised unemployment and bankruptcies to post-war records, cut the real value of child benefit, broke the pension's guaranteed link with pay, savaged supplementary benefits, raised the cost of buying or renting a home to the highest in history, imposed shortages, shabbiness, high charges and cuts in schooling and health, displayed contempt for any idealism that could not be counted in pound notes, and raised the weekly take-home pay of the man on £30,000 a year by £85 while letting hospital patients die for want of

kidney machines. In Margaret Thatcher's Britain, kidney patients have to be rich to be sick. And it is to this butchery of human values that she tells us we have "no alternative".

She could be right, of course, were we again to ask working people and their representatives to hold back pay to help profits—unless next time they themselves are the direct beneficiaries of those profits. Successive governments have felt their incomes policies collapse around their skulls because they had insufficient visible bearing on the lives of the people invited to bargain below their labour market strength.

It is beyond human nature to call upon wage earners to shoulder so much of the burden unless they themselves are guaranteed a direct share in the increased wealth their restraint produces. As long as the weekly pay packet, or monthly salary stub, is their only important source of wealth, they are bound to maximise it at all costs. And why should trade unions burn up credibility among their members by urging them to make sacrifices on behalf of companies which still give workers a status that would be reassuringly familiar to a Victorian employer? So a coherent national approach to incomes is necessary but probably unobtainable, as long as our present pattern of industrial ownership persists.

At this point the urgent practical case emerges to meet the overwhelming moral case for economic democracy. The two aspects of economic democracy which this pamphlet will examine in some detail are the direct ownership of industry by the people and, of equal practical importance, more sensible and democratic treatment of men and women at their place of work.

4. new bearings in common ownership

The central human flaw in industry, whether private or nationalised, is that people can come to feel that they do not matter. They are outsiders, not owners and participators, in the enterprise to which they give their sweat. Their employers are remote beings, whose decisions can seem arbitrary and sudden to the men and women at office and shop floor level. An employee requires Holmesian powers of detection to trace how a rise in the share price or dividend can bring direct benefit to himself.

The class division that matters in Britain has nothing to do with harmless and even engaging variations in accent or lifestyle. It has everything to do with the grotesquely uneven distribution of the nation's industrial wealth. As Eric Heffer has said: "Private ownership of industry is the basis of class power and wealth." The injustice is not that wealth is held by individuals but by so few individuals.

Working people are locked out from the direct financial benefits of industrial ownership. And they are deprived of the modest but important influence which ownership provides to effect the relatively small improvements that could transform life at work. Real power sooner or later flows to those who possess industrial wealth. As a corollary, the economically disfranchised millions have no power, in any constructive sense, in the companies they sustain. Why, in such a hopelessly "them and us" climate, are we surprised if industrial relations are less than loving? Our economy is dangerously off balance when industrial wealth is concentrated so heavily in the hands of an albeit declining number of rich individuals and a small but increasingly mighty group of anonymous bureaucrats in the huge and secretive financial institutions like the pension funds.

Our economic system will fail and deserve to fail if we do not open it up to working people. Chucking them a weekly wage like a bone is no longer enough.

The best test of any kind of public ownership is to ask: does it make a positive difference to the life of the individual

person? We all own the nationalised industries. But do we honestly have any feeling of ownership and personal involvement in nationalisation? Do steel workers get a warm glow at the thought that their destiny has been in the hands of bosses like Sir Charles Villiers and Ian MacGregor? Given that the Tories are in office roughly half the time, have we been all that clever in interpreting clause IV in a way that hands control of basic industries for years to Margaret Thatcher and Sir Keith Joseph? That surely cannot be the "fundamental and irreversible shift" we had in mind.

the two-wage worker

There is no substitute for allowing each individual citizen to become a "two-wage worker"—not just relying on the pay packet but having also his or her direct and growing share in the ownership of the nation's wealth and, in due course, the dividend income that goes with it.

Frank Field has commented: "The radical difference between the poor and others is that the poor lack an asset they can trade, which gives them power, mobility and freedom, so that they are not dependent on town hall clever dicks and bloody bureaucrats". He was speaking in the context of owning a home of your own. Much the same principle applies to owning a stake in industry. All the more so because company equities, unlike bank deposits, National Savings and building society money, offer the prospect of capital growth as well as interest payments. Building societies are the most popular savings haven for working people, with assets of nearly £50,000 million drawn from one adult in every two. The recent rate of return on the basic building society account has been 10.5 per cent after income tax, much less than the rate of inflation. So, when measured in real terms, the typical family's reward for saving is an absolute decline in the spending value of their money. In an era of rapidly shrinking money values, the only possibility of keeping pace is through ownership of a

growing capital asset—principally a home of your own or a stake in industry. This can give a working family security and independence; but for a pensioner, an unemployed or disabled person, a capital asset that grows could make the difference between staying above or falling below the poverty line. Take the case of a Tyneside shipyard worker made redundant at 55 with a pay-off of £5,000. That sounds a lot to him until he sees what happens to it. Invested in a building society it will earn him about £10 a week now. If inflation averaged 15 per cent over the next ten years then by 1990 the real spending power of this weekly income would be down to a bare £2.47 a week and his £5,000 redundancy money would be worth only £1,235 in today's money.

To approach the question of industrial growth assets from another angle: £1,000 invested on 1 January 1970 in the average unit trust income fund was by 1 January 1980 generating annual income of £111; for comparison—building societies £86 and bank deposit accounts £77. The average capital growth of the unit trusts was 67 per cent; for comparison—building societies and bank deposits: zero.

Clearly ownership of industrial companies is the key to the redistribution of wealth, particularly over a realistic timescale of ten to 20 years. Orthodox collective bargaining can do very little to redistribute wealth on a permanent basis. It can redistribute *current* income. But after a certain point this, as we have seen, is achieved only at the cost of reduced investment, employment and long term prospects for wage earners. The arithmetic suggests that to achieve any fairer distribution of current income we ought to rely rather more on taxation and social security methods—say, by granting the income tax age allowance to women pensioners under 65 or by indexing the child benefit, from a suitably high base.

The purpose of owning wealth is to have increased income in the future. A redistribution of wealth will lead to a redistribution of future income (see Derek

Robinson, *Incomes Policy and Capital Sharing*, Croom Helm, 1973). Provided, that is, that a capital sharing scheme radical enough to tackle existing wealth and not merely future additions to industrial wealth is adopted. Judged on this criterion, the profit-sharing scheme introduced under the Lib-Lab pact was pitifully feeble because it depended on the grace and favour of employers and involved puny amounts of capital. At that pace a fundamental transfer of wealth would take millenia not centuries.

A practical scheme to bust the class division of wealth and simultaneously to revive the investment share of income can be completed before the end of the century. The proviso is that the delay and uncertainty involved in cooking up complicated new financial mechanisms must be avoided. Far better to make use of existing mechanism, notably joint stock companies and their equities, unit trusts and the stock market. But, for perspective, an analysis of alternative capital sharing schemes, including the Danish experiment, has been put together by Derek Robinson (*ibid*).

shares for all

In a British version, a Labour Government would decree that, say, half the total shares of every company quoted on the Stock Exchange would be transferred to the people directly. An equal amount would be given to every adult, free. This would be the biggest transfer of wealth to working people in history. Furthermore, it could trigger a most satisfying industrial recovery, provided two conditions were met.

First, given that the object is to accumulate longterm capital rather than to stimulate immediate consumption, the transfers would have to be most carefully phased.

Second, compensation would have to be pitched at a level calculated to maintain the value of existing shareholders' stock market wealth. The whole idea is to switch wealth to working people, so it

would be self-defeating to try to do so in a way that sabotaged the pensions of the 12 million workers whose pension contributions now dominate the stock market. Exhaustive consultations would therefore be essential with the pension funds to make sure the scheme was so constructed and phased as not to dilute their existing equity holdings.

By far the most effective form of compensation would be a progressive series of cuts in company taxation, with the emphasis preferably on reducing or eliminating the employers' national insurance surcharge—the "jobs tax". That way industry's reinvestable income would be increased and employment would be encouraged by reducing unit labour costs.

Since the "second wage" scheme would be introduced in conjunction with an incomes policy there would be little danger of the lower tax contributions going straight into current wages.

The transfer of shareholdings, and the corresponding company tax cuts, would be phased in by rights issues over perhaps ten years. Exactly how fast it would be possible to proceed would depend on the rate of economic growth; if growth stayed low the scheme would have to be slowly implemented to avoid a burdensome increase in public borrowing. This constraint has to be considered whatever version of public ownership is adopted. The redistributed shares would be held in the form of unit trust holdings, though with one important exception. We already have an efficient unit trust industry and so the easiest solution would be to create a number of "trusts of trusts", which would on behalf of the public build up portfolios drawn from existing unit trusts. Stockbrokers and banks already build up this sort of portfolio for private clients, with much success. The transfer of ownership would be smoothed greatly by utilising the investment management skills of the unit trust movement and the best financial institutions.

The one important exception to this scheme should involve the workers in companies with stock market quotations.

They should have the option, negotiable between unions and management in each company or perhaps in each local plant, to take up to half their personal capital entitlement in shares in their own company. The purpose would be to establish a direct link between their work achievements and their rewards. Each share would carry a vote. The racket of non-voting shares would be outlawed.

voting rights

The trusts would have unrestricted voting rights on behalf of their unit holders on all company issues to be decided by share holders, but especially on the appointment and removal of directors since those who share the collective risk are entitled to choose the management. The trusts, and for that matter the pension funds, would have to reveal their vital statistics each year to their member-owners, in plain English. For example, a yearly statement to each member showing how much his or her capital has changed over the year; how much extra dividend has accrued; how well or badly the outfit has been run compared with others; annual accounts and details of the investments.

In addition pension funds, which have to date been positively Trappist in their non-communication with their 12 million members, should issue them with an annual handbook clearly setting out their contributions and benefits; rights and risks on changing job; and opportunities to top up their pension and retirement lump sum through voluntary contributions. Hundreds of thousands of working men and women retire each year oblivious to potential benefits in their pension scheme available but unstated—the topping up of contributions is a classic example.

Workers who chose to take up part of their ownership rights in their own company would be entitled to vote in their own right. There would be no better way of breaking down the class mentality in industry than by giving the engineer, lorry driver or typist a vote to decide whether

a Gradgrind manager should stay on the board or go.

A ten year sequence would go roughly as follows:

* Ten per cent of the people's shares would be issued each year for ten years. By the tenth year they would amount to half the total stock market equity.

* Company taxation would be reduced in ten parallel steps. The Government would have to give a guarantee that—certainly for a fixed number of years—the change in taxation would be as irreversible as the issue of the shares. Otherwise the stock market would weigh the share issue more heavily than the company income gain and the market would drop.

* From year two, the new shares would acquire voting rights.

* From year five, they would start to attract dividends. These, along with the increasing capital value, would gradually build up into the worker's "second wage".

* The right to sell the shares would begin after perhaps year eight. That is, after plenty of time to experience growth in the value of the shares as well as three years of dividend income. A maximum of, say, ten per cent of one's holdings could be sold each year, to avoid the risk of collapsing the market. Selling rights would have to be framed in such a way as to prevent a massive "bear factor" (expectation of falling values) overhanging the market. Hopefully as few people would choose to sell their industrial wealth—barring emergencies—as choose to sell their homes.

In a decade the distribution of wealth would be transformed, fundamentally and irreversibly. The trend would be all the stronger when working people's pension funds—their indirect shareholdings—to their personal share holdings are added. Properly designed, the switch of industrial ownership to the individual worker and his family can strengthen our trade

unions. They and their members have on several occasions tolerated, with varying degrees of reluctance, incomes policies imposed by Labour and Conservative Governments with no parallel change whatever in the ownership of wealth. Transfers of wealth—that is, future income—offer a far more constructive context in which to negotiate an agreed approach to pay.

the trade unions

Lord Denning got his wig back to front in failing to recognise, in his recent anti-union judgments, the paradox inherent in the collective nature of society: namely, that the freedom of the individual worker can best be preserved and increased by a good trade union. The unions in turn should never forget, as TUC General Secretary Len Murray says, that in the first instance they are about individuals and the right of a man to answer back to his boss. Owning a share of the company—enabling the employee to become, in a sense, his boss's employer—cannot but enhance the individual worker's independence and dignity.

The principle benefit of industrial ownership, though, is simply to provide a second income, and one that has growth potential—eventually growing into another of Frank Field's "tradeable assets". And while worker-ownership can help improve the climate in industry it should be seen as complementary to, and not a substitute for, the activist Government role in reindustrialisation referred to earlier.

5. participation at work

"We, the willing, led by the unknowing, are doing the impossible for the ungrateful. We have done so much for so long with so little we are now qualified to do anything with nothing" (sign above a print room in a Fleet Street newspaper).

Our second aspect of economic democracy is participation at factory and office level. Here the unions are ahead of the game, inasmuch as power in many industries is already shifting back downwards to the shopfloor. Working people cannot, at the same time, be expected to shoulder responsibility unless they are at least fully informed and, preferably, involved in making decisions.

Those of us who belong to that esoteric minority cult, the political activists, run the occupational hazard of unconsciously carting around among our emotional baggage a constant sense of outrage in search of any old grievance. We can fail to notice that men and women on the shopfloor and in the office care more about their children or their allotment than about the class struggle. Furthermore, they react in a measured not a strident way to employers' failings. They tend to tolerate and possibly to like their firm and, rather than blindly pull down the pillars, would much prefer the minor changes in industrial organisation that would release their knowledge and enthusiasm in a constructive and helpful way.

Yet in the typical British company workers are kept in the dark. No one tells them how their factory or section fits into the total company jigsaw. Directors feel no shame that sometimes their employees have to learn of basic decisions, like takeovers, from the newspapers. Their ideas are not sought.

They are not consulted or informed or prepared for events in their working lives which will have a deep and lasting emotional impact. For example, retirement can disorientate an elderly man or woman. Most companies shrug this off but the handful who run preretirement courses find their older workers leave

happier and better prepared to face this enormous change in their lives.

Too few companies deign to consult with shop stewards, in depth and sufficiently in advance, on work practices. For 90 per cent of the time they regard shop stewards as the enemy within and still expect them to swing into a fire brigade role for the remaining 10 per cent.

The date outside the factory gate is 1980. Inside, the calendar is stuck at the Masters and Men era of the 1880s. Yet in financial, let alone human, terms communication and cooperation are as important to a company as product development or market research.

The last Labour Government's abortive attempt at industrial democracy was based on sound instincts. Its weakness was the emphasis on grandiose institutional arrangements which were not notably well received on the shopfloor.

a new legislative framework

Of course the next Labour Government should provide a legislative framework inside which industrial democracy can be encouraged to develop organically. And slothful companies should be forced to change. We should not be frightened off by the Institute of Directors, who will never know better, nor by the CBI, who ought to know better. But we ought to pay heed to the experience of trade unionists and managers who have already involved themselves in experiments in participation. The clear majority preference at grassroots level seems to be for on-the-spot democracy: that is, a little more information, a little more freedom, a little more say in what happens at one's own place of work and a host of other modest changes which, cumulatively, could transform many jobs from routine drudgery into a worthwhile career.

Thus the same test of relevance can be applied to plans for participation as for methods of common ownership: does it make a direct positive difference to the lives of men and women at their

place of work? And each workplace has its own individual characteristics, we should take care not to impose a pattern of participation that is too inflexible and uniform.

Shell have been experimenting with employee participation for the last two years. Their UK Director of Personnel, Tom Cain, says: "I think we have to proceed cautiously—not because management wants to drag its feet, but because genuine participation is something which has to grow naturally, like a plant, and cannot be hurried along. It would be a tragedy, for the company and for employees, if we launched some ambitious participation scheme and it failed. We believe progress will accelerate of its own accord as people get more accustomed to working within a participative climate" (*Shell Times*, 1979).

An encouraging variety of experiments are under way in organisations as different as brewers Greenall Whitley, the Gateway Building Society and Standard Telephones & Cables. It is early days to be sure which ideas are runners and which are lame, and which have application beyond their own particular circumstances. So rather than blithely squeeze industry into an off-the-peg participation policy three important constraints should be accepted: we are still in an experimental period; the whole process would probably fail if rushed; and each company, and for that matter probably each factory and office—through its own managers and union officials—has to be allowed a fair degree of discretion.

The best way to proceed is in two stages. First, to draw up a code of principles to which, over a reasonable period, every large industrial undertaking would have to conform. The code would be drawn up, ideally, by management and unions together, with a minimum of steering by the Government. The recent experience in setting up what is fundamentally a self-regulating mechanism for insurance broking, with minimum official participation, suggests a possible pattern. Second, once the code is approved a run-in period of, say, three to five years should be

allowed before all its provisions become binding. It takes time to train employee representatives and managers in a participative style of business. Much of the training resources would have to be provided by Government. A tax inducement for quick implementation might help doubting firms to get religion.

Each individual company scheme would have to be submitted for approval to a joint scrutiny group, appointed nationally, of union and management representatives.

The code of principles for employee participation might have three chief aspects: information, consultation and training. Each can grow from the grass-roots upwards, varying according to what particular groups of workers want and their union representatives are able to negotiate.

Putting workers on the board, on the other hand, is more likely to be imposed from above. That is not necessarily a criticism. But the obstacle is that no consensus has yet emerged in the TUC on worker directors. Some union leaders like the notion; others fear it is a diversion from their main activities. It therefore seems pointless, for the moment, to include worker directorships in a code of principles.

It is vital to keep a distinction between the cooperative act of participation and the structured conflict of pay negotiations. This essential distinction requires unions and workers to attempt the difficult task of adopting a dual attitude to management. Any employer who imagines that participation in improving the working processes and environment is a device to weaken union bargaining power misunderstands the nature of industrial democracy. It complements but does not replace bargaining.

a "piece of the action"

Another misplaced criticism of industrial democracy, as Len Murray has pointed out, is that it interests only a minority of bright or ambitious workers seeking

"a piece of the action". This can be answered with a specific case. Why should a typist or a filing clerk be at all interested in receiving company information? One reason could be the explosive development of office equipment in the 1970s. The result, in the 1980s, will be drastic changes in the number and type of jobs carried out in offices. One word processor can do as much as ten typewriters. What will be the impact on the typing pool? And what effect on the employment and conditions of filing clerks will flow from the increasing use of computers to store and retrieve information? The employment impact of such radical upheavals is likely to be different, rather than fewer, jobs. But either way the changes will be great and all the workers likely to be involved have a right to plenty of information about their future prospects, well in advance.

Secrecy is the particular vice of British administration. Managers, like Whitehall officials, customarily hide themselves from the public eye to a degree that amazes their American counterparts. Efficiency is thereby reduced. Workers at their individual place of work can feel their own contribution is irrelevant to the overall effort. Most of us can only be committed to our work if, firstly, we derive a direct benefit and, secondly, we understand the purpose of what we are doing and what our efforts achieve.

John Garnett, Director of the Industrial Society, says: "This is why it is so vital that each one of us at work is regularly and fully informed about how our own efforts have contributed to the success of our team" (*Explaining the Economic Facts*, Industrial Society, 1980). The information provided as of right should include not only all the important financial and economic facts of the company overall, but the information the recipients personally find important. That in practice means local facts. To a worker in a multinational's subsidiary in Aberdeen, working reality is in Aberdeen, not in head office in London.

A number of grey areas lie between co-operative participation and interest group

bargaining. They pose a difficult challenge to both unions and management. That is why we have to proceed slowly and with caution. Manpower planning is a good illustration.

There is a great temptation, especially when the future is uncertain, for companies to be "rapid hire and fire merchants". The unions, representing the present employees, have a right to know about a company's intentions about recruiting and developing staff. This is a basic example of the duties of employers and the rights of workers traditionally ignored under the capitalist system. Yet a firm that genuinely consults about manpower policy will be much less likely to encounter industrial trouble if its calculations go wrong and it has to tackle either a hasty recruitment drive or a staff surplus.

The introduction of new equipment might make a job more difficult in the future and thus advance planning is needed to retrain the staff. Alternatively, new equipment of a different sort could make a job easier and so there ought to be opportunities for the employees concerned to move on to work which will use their talents better. The habit of consultation on manpower planning might in time stimulate management to improve their methods of identifying the potential of their existing workers at all levels and to think more about creating proper career structures for them. No job should be a dead end job.

How would workers respond if given the opportunity to participate in a meaningful way? And would managers find their business slowed up by the requirement for more or less permanent consultation-cum-bargaining? In Japan, Toyota probably the world's most successful motor company, last year received 578,000 formal suggestions from its 45,000 workers on how to increase productivity and quality control. Japanese businessmen arrive at decisions notoriously slowly, because their system requires them to involve people all down the line in the decision making process. Once the decision is reached, it is implemented

more quickly than in Britain, and with much more enthusiasm, because it is a consensus decision in which all have been involved.

a draft code

Industrial participation is a subject that lends itself uniquely to worthy generalisations incapable of translation into practical detail. At the risk therefore of the opposite failing—a thicket of detail—here are some items that should feature in a code of participation:

* A system of annual meetings for employees, to parallel the annual shareholders' meetings. There is no substitute for face to face communication. The structure of the occasion should be such as to permit an exchange of information on local matters as well as the overall company scene.

An excellent deterrent to bad or careless management is for senior managers to have to stand up and explain and justify their record and their policy to the people who have to carry it out.

An even sharper deterrent, once the system of employees' meetings has bedded down—perhaps three or four years after launch—would be to give the annual employees' meetings some of the powers of reappointment of directors at present enjoyed, if rarely exercised, by the annual shareholders' meetings. Each year a fixed number of directors have to seek reelection from the shareholders. If a similar number had to seek reelection from the workers' meetings then the process of information and consultation would surely be real rather than patronising.

* Employee reports, written yearly and eventually half yearly and sent to each employee in order to achieve a steady build-up of worker/management understanding. Initially the workers would have power to refuse re-election to retiring directors, but not to appoint their own alternative directors.

* Six monthly presentations by top management to unions—full time officials as well as shop stewards—entirely separate from the annual pay confrontation. Gallahers and Scottish & Newcastle Breweries are two firms who have regular meetings with the unions to discuss their financial record and their future plans. This sort of get together can provide a valuable opportunity to work together on longterm plans for investment, jobs, pay and conditions. And without imprisoning the unions in a semi management role, it can nonetheless enable them to bargain later from real knowledge and also foster trust on both sides.

* Local consultative committees, composed of local management, shop stewards and others. They would meet regularly to discuss the company's performance and future at a slightly more mundane level than the six monthly presentations. The emphasis—judging from the experience of the firm Reed Corrugated Cases—should be on local matters, where committee members would have special knowledge and might have a real impact. The aim would be to influence decisions, not to pass comment after the event. The form of influence most workers want, I suspect, is the ability to influence decisions about their own working environment.

speed and practicality

The chief task in assembling a relevant code of principles is not to invent much new but to make universal the best practices already agreed between unions and management in several sections of British industry. Nine times out of ten, radical change can more speedily be introduced by amending existing institutions than by destroying them and building again from the rubble. We dissipated our efforts on past occasions by confusing the dramatic creation of new institutions with the block by block construction—using whatever institutions are to hand—of policies designed to improve the life chances of working people in a caring and down to earth manner.

There is always an inner tension in socialism because it is concerned with ideas and ideals that transcend personal experience. Yet to merit the attention of working people it has to be concerned with the concrete realities of life as lived day to day by them and their families. People find it difficult to care about principles that have little practical relevance to themselves and those they love. They will always, wisely, vote against generalities and slogans that they judge to be empty of meaning for their own lives. This is a welcome discipline to compel us to define our socialist ideal of a caring society in terms of a single question: what does it take to make life better, fairer, more equal and more fun for working people and their families today? And, from ground level upwards, to construct the policies to achieve that concrete objective.

It is in this practical spirit that this pamphlet has attempted to update our interpretation of common ownership and industrial democracy.

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the two wage worker

The only important flaw in Clause 4 of the Labour Party constitution is that, so far, it has never been tried except in a half-hearted and unimaginative manner. The time is ripe to redefine "common ownership" not as Morrisonian nationalisation—"the same foreman—different hats"—but in terms that connect with the lives of working families. This pamphlet outlines two proposals to involve people directly in the ownership of industry and the decisions that shape their lives and work. The first is to transfer to the community half the shares of every company quoted on the stock exchange. Each individual citizen would receive an equal amount of equity free. Such a radical tilt in the ownership of industrial wealth would give working men and women a personal share in a growing capital asset and its dividends—their "second wage". The second proposal is to replace the grandiose institutional approach to industrial democracy with practical measures of more immediate benefit to the men and women on the shop floor or in the office. Its starting point is the question "what changes would make life at work happier and more productive for the individual worker?"

fabian society

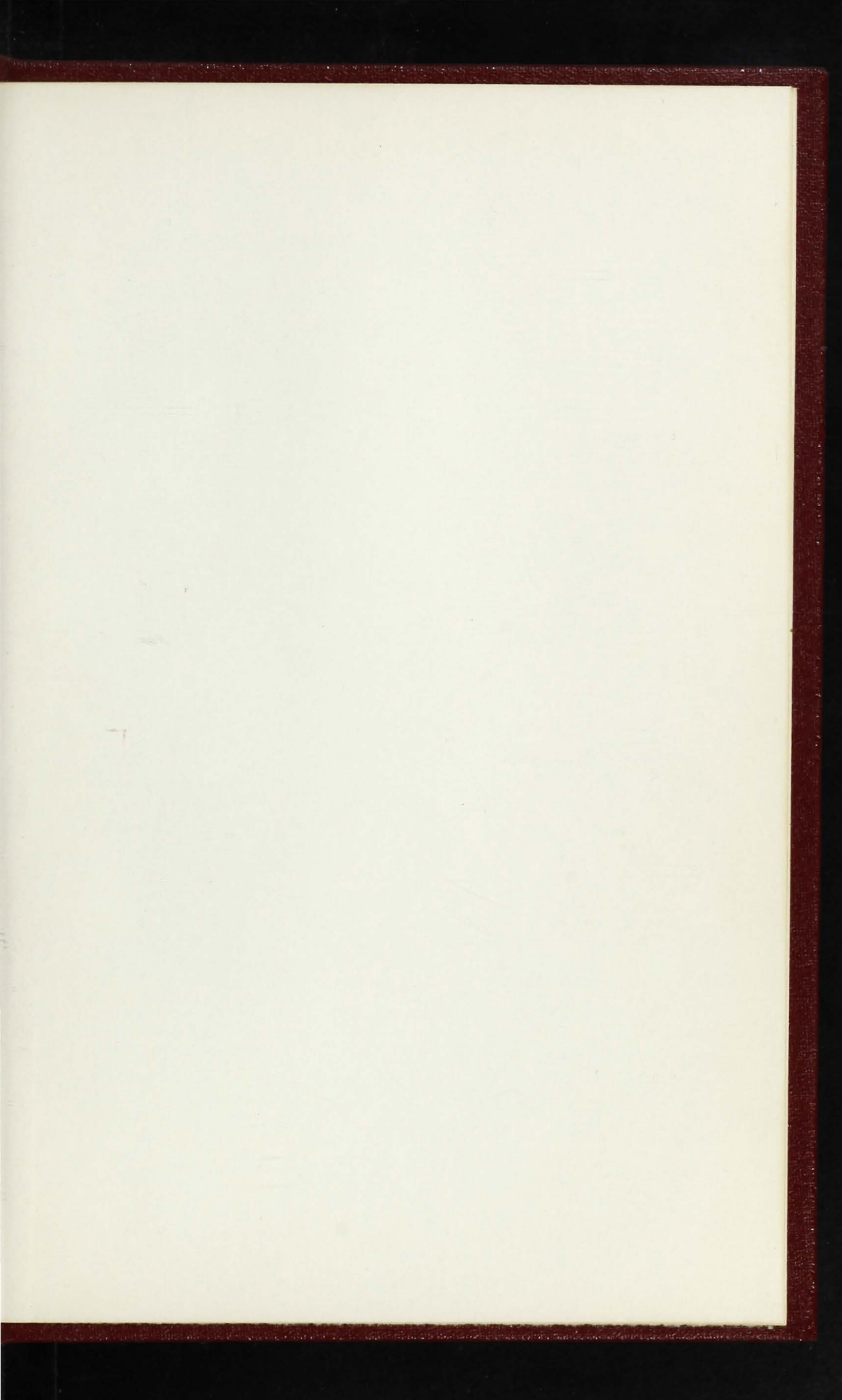
The Fabian Society exists to further socialist education and research. It is affiliated to the Labour Party, both nationally and locally, and embraces all shades of socialist opinion within its ranks — left, right and centre. Since 1884 the Fabian Society has enrolled thoughtful socialists who are prepared to discuss the essential questions of democratic socialism and relate them to practical plans for building socialism in a changing world. Beyond this the Society has no collective policy. It puts forward no resolutions of a political character. The Society's members are active in their Labour parties, trade unions and co-operatives. They are representative of the labour movement, practical people concerned to study and discuss problems that matter.

The Society is organised nationally and locally. The national Society, directed by an elected Executive Committee, publishes pamphlets and holds schools and conferences of many kinds. Local Societies—there are one hundred of them—are self governing and are lively centres of discussion and also undertake research.

October 1980

Cover design by Dick Leadbetter
Civic Street, Glasgow G4 9RH

Printed by Civic Press Limited (TU),
ISBN 7163 0470 8 ISSN 0307 7535



The first stage, 1945-1950

The first stage of the development of the Labour Party movement in the United Kingdom was the period of the 1940s and 1950s. This was a time of rapid change and growth, both in the number of members and in the political influence of the party. The party's success was due to a number of factors, including the leadership of Clement Attlee and the support of the trade union movement. The party's policies were based on social justice and economic reform, and it was seen as the only alternative to the Conservative Party. The party's success was also due to the support of the working class, who saw the party as the best hope for a better future. The party's policies were based on social justice and economic reform, and it was seen as the only alternative to the Conservative Party. The party's success was also due to the support of the working class, who saw the party as the best hope for a better future.

Labour Party

The Labour Party is a political party in the United Kingdom. It is the second largest party in the House of Commons, and it is the largest party in the House of Lords. The party was founded in 1900 as the Labour Representation Committee, and it was renamed the Labour Party in 1906. The party's policies are based on social justice and economic reform, and it is seen as the only alternative to the Conservative Party. The party's success was also due to the support of the working class, who saw the party as the best hope for a better future.

The party is a social democratic party, and it is committed to the principles of social justice and economic reform. The party's policies are based on the principles of social justice and economic reform, and it is seen as the only alternative to the Conservative Party. The party's success was also due to the support of the working class, who saw the party as the best hope for a better future.

