

action or proposed action, a particular employer or trade union or any other party is or would be in respect of such action in breach of the National Agreements.

#### REVIEW

12. The Employer-Labour Conference shall meet not later than January, 1979, to review the operation of the National Agreements. No commitment to alter the periods of the Agreements or to vary their terms is implied by this Clause.

February, 1978

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# **The First Countess Markievicz Memorial Lecture**

## **Industrial Relations and Creativity – The Irish Case**

Professor Michael P. Fogarty

MS 571: 032

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Industrial Relations and Creativity  
—The Irish Case

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The Countess Markiewicz Memorial Lecture has been established by the Irish Association for Industrial Relations with the support of the Department of Labour. Countess Markiewicz was first Minister for Labour of the newly-independent Irish State. The object of the Memorial Lecture is to provide an occasion for a substantive contribution to discussion in the Industrial Relations area by a distinguished practitioner or academic.

The First Lecture was given by Professor Michael P. Fogarty on November 29, 1976 at the Shelbourne Hotel, Dublin. Professor Fogarty is a former Director of the Economic and Social Institute Dublin, and author of several reports on Irish industrial relations questions.



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## INDUSTRIAL RELATIONS AND CREATIVITY —THE IRISH CASE

It is a pleasure to be back on the job of industrial relations in Ireland, and particularly to be speaking tonight under the title of the lady whose portrait has for so long hung above the desk of the Minister of Labour, and I trust still does so. I keep reminding my British friends that Countess Markievicz was the first woman to be elected to the Parliament of Britain as well as Ireland, and of course the first woman Cabinet Minister. They do, though, have a disconcerting habit of asking so far as Ireland is concerned which woman Cabinet Minister came next. I know that it takes time for liberation to broaden down from precedent to precedent, but I believe the experiment was successful in its day, and perhaps after sixty years the time may have come to repeat it.

I propose tonight to try to answer the question: what is it, in the industrial relations revolution of the last few years, which is particularly relevant to Ireland in its present state of development and given its present needs? When I talk about the industrial relations revolution of our time, I mean particularly the change which has swept over the industrial relations scene right across Europe since the middle of the 1960's, and of which recent developments in Ireland are a special case. I am going to begin by sketching in what this general change in the accent and institutions of industrial relations is. Then I want to ask what elements in it are particularly significant for Ireland. And finally I have a general point about the significance of industrial relations at their present state of development not only in Ireland but in Europe as a whole.

### The break-up of traditional industrial relations systems

So, first of all, what does the current revolution in industrial relations in Europe add up to? Twenty years ago we had in Europe three stable and established patterns of industrial relations. There was the Anglo-Irish pattern, based on decentralised collective bargaining at industry or plant level. I know there are differences, such as the point often made that in British industry the key figure is the shop steward, whereas in Ireland this is much less true. But the differences are less marked than they are sometimes made out to be, as came out for example in what Professor Hillery and his colleagues had to say about the role of local officials and activists in their *Trade Union Organisation in Ireland*. Unquestionably, the Irish and British industrial relations systems belong to the same family. Then there was the system common to a number of other EEC countries, based on the statutory works council and often with only a limited role for direct bargaining by the unions at work-place level. In between came for example the Swedish pattern relying like the Anglo-Irish pattern on collective bargaining, but with much more national bargaining and

national control of bargaining at enterprise level. Under all these systems a rather clear distinction tended to be drawn between matters subject to negotiation and those subject only to consultation or left to management decision alone. Management prerogative, in its full traditional sense, remained very much alive.

These industrial relations systems might work more or less well. In British surveys of Employment, the predominant comment from Department of Employment, union officials, and managers at all levels has been "fairly" satisfied. But at least they were stable and established. They were there, and the people involved in them knew where they stood. By about the middle of the 60's, however, there began to develop a series of changes which are still far from fully worked out, but, when they have been, will add up to what can fairly be called an industrial relations revolution. This revolution comes in five instalments. If I list them now, it is not in any particular order of importance; the question of which, if any, are the most important in the case of Ireland is what I want to discuss later on.

### Individuals' control of their jobs and careers

First, there is the movement for direct participation on the job and for more control by individuals over their own careers and the distribution of their time between work and leisure. This is often taken to refer simply to developments such as the re-design of jobs and restructuring of work groups, in which particularly the Scandinavians have taken the lead. But actually it includes much more than this. There is the movement against discrimination on grounds of sex, age, or race, whether enforced through general legislation, as here or in Britain or Sweden, or as in Germany written into the Works Constitution Law which provides for the duties as well as the rights of workers councils. There is the idea of life-time education and of paid educational leave at the worker's and not the employer's discretion, on which we in these islands are dropping behind the rest of Europe. There is the idea which the British Institute of Management has promoted in several of its recent publications, such as *The Management Threshold*, that the first duty of a manager is to manage his own career, and that he must be given the opportunity to do so. There are the movements towards flexible time and flexible retirement which allow workers to adjust the margin between work and leisure to their own family and personal needs. This is a whole package of measures, all going in the direction of greater autonomy for individuals on the job and as between work and the rest of their lives.

### Collective control

Secondly, there is the movement to strengthen workers' collective control at all levels of both the firm and the economy. I underline that by "control" I mean control, because that is the point of the change.

It is a move, as the Confederation of British Industry and the TUC put it in a joint memorandum to an OECD conference three years ago, away from talking shops and towards greater actual control over a steadily widening range, at all levels, of the policies under which work is carried out. "Literally anything", as the CBI and TUC jointly said on that occasion about the British case, can now be on the agenda for negotiation. Stronger control may among other things imply more information and better communication and may provide more occasions for consultation, but all this is incidental to the main point of extending control. It may still be found convenient to keep separate channels for information and consultation and for more formal negotiation; on that question there are two views even in the trade unions. But negotiation or other forms of actual control are primary, and, increasingly, information and consultation are ancillary and subordinate to them.

The form which the movement towards stronger collective control takes differs from level to level and from country to country. At works level the Germans in 1972 strengthened the powers of their traditional works councils, which in English could be better translated "works committees", since they consist only of employees and are equivalent in Anglo-Irish terms to joint committees of shop stewards. British unions have pushed ahead with extending the powers of shop stewards under what has for some time been their established pattern of plant bargaining. The Italians have taken up the system of stewards and plant bargaining and left their longer-established works councils high and dry. The Swedes have just legislated traditional management prerogative out of existence and provided, to quote the CBI/TUC memorandum again, that "literally anything" about the conduct of the business shall be open to negotiation.

At board level, Germany has had employee representation on supervisory boards since 1920, and parity for employees with shareholders in the coal and steel industry since 1951. Something very close to parity, though not quite reaching it, has now been laid down for the supervisory boards of all large German companies. Trade union movements in most other European countries were till recently hesitant if not hostile over board representation. But the fact of modern economic life have proved too strong. The fact is that there are decisions normally taken at board level which greatly influence workers' conditions and prospects, for example about major new investments, the location and re-location of plants, the closure or major conversion of plants, or mergers and takeovers; and these decisions are often not easy to influence early and effectively enough except from the inside. There are still divisions in the trade union movement about how to react to this. On the whole, the more radical and Marxist trade unionists prefer to keep an arm's length relationship with top management and rely on collective bargaining,

while more moderate unionists are willing to take their share of joint responsibility and to come in on the inside. That can be rather an embarrassing point for employers' organisations. It is not so easy to resist demands for shared responsibility at board level when it is precisely the more responsible trade unionists who are pressing to share it. Within, at any rate, North-Western Europe the balance in the trade unions has tended to be in favour of the moderates rather than the extremists. One European trade union movement after another has taken up the demand for board representation, with the ultimate if not always the immediate goal of parity with shareholders, and some degree of board representation is now becoming the norm.

There is also the question of national participation in connection not only with incomes policies, as in the late National Pay Agreements, but with bargaining about the general management of the economy. Formally or informally, Europe in the last few years has been swept with a wave of social contracts. Sometimes, of course, participation at the national level has taken the form of a shotgun wedding. Britain, as you know, has a fairly formal social contract including what is technically known as a voluntary incomes policy, and the difference between a statutory and a voluntary incomes policy in Britain has been known to be defined as follows. If you meet the Chancellor of the Exchequer in the street, and he sticks a gun in your midriff and reaches his other hand into your pocket to remove your wallet, that is a statutory incomes policy. If on the other hand he demands that you hand over your wallet, and you do so, that is a voluntary incomes policy. It may be that one could find some Irish parallels. But, shotgun wedding or not, trade unions' influence on national policy, particularly in these islands, has grown to the point where some are inclined, rightly or wrongly, to speak of trade union leaders as the new feudal barons whom governments, again rightly or wrongly, will normally find it wiser to conciliate.

#### **Ownership: economic democracy**

Then, thirdly, loiming on the horizon, there is the revolution in ownership and in the control and participation as well as the wealth and income which it carries with it. Twenty years ago the only real issue was about state versus private ownership, and of course in our unenlightened offshore backwaters that issue is not yet dead. But what is tending now to supercede it, though still in most countries only on the margin of legislation, is the question of democratising ownership in the sense of redistributing either or both of the ownership or the control of capital to the work force as a whole. Initiatives on this come from both sides of industry. Many of the most active supporters of the market economy are keenly interested in rehabilitating the ideas of investment and profit, and of making shareholder pressure on management more effective, and see the

democratisation of shareholding as one very effective means of doing this. There have always of course been individual employers with profit sharing or stock option schemes, but there have not been too many of them, and the scale of redistribution has not been large enough to make much difference to the ownership of capital overall. The difference now is that even employers' organisations and conservative parties are thinking in much bigger terms. It is not surprising from that point of view that the one fully established national plan for compulsory capital sharing in Europe was introduced by the Conservative Government of General de Gaulle in France in 1967, nor that German employers have given such strong support to plans for workers' asset formation, for example under the so-called DM 624 Law.

But here too it is on the whole the trade unions which are making the running. One European trade union movement after another, in Germany, Sweden, Denmark, the Netherlands, and Britain has now adopted plans for the compulsory transfer of a large slice of the equity capital of private industry to national workers' funds under trade union control. Britain is now on the edge of a rather different sort of development. British occupational pension funds either own or, indirectly control something like 30% of the quoted capital of British companies, and the British Labour Government, under pressure from the TUC, has now announced its intention to legislate for 50% trade union representation on all pension funds' controlling bodies.

There are of course wide differences between the ultimate patterns of ownership aimed at on the one hand by trade unions and socialist parties and on the other by liberal or conservative parties and by employers. The former tend to favour highly centralised funds under national trade union control, though with some opportunity for passing through the voting rights held by funds in any particular firm to the workers employed in it. The latter prefer a more decentralised pattern of ownership, either individual or, as tends to happen under the French scheme, through a large number of independent trust funds controlled by their worker owners. But what is common to both is the growing conviction that the future of industrial ownership lies neither with the traditional shareholder nor in transfer to the state but in involving the whole work force in both the profits and the responsibilities of equity ownership.

#### The economic backlash

The next element in the industrial relations revolution is of a different kind. It is the economic backlash. In the 50's or even the 60's it was not too unrealistic to think of industrial relations in the advanced industrial countries as going their own way against a background of economic growth and general economic stability which it could be left to management and the Government to provide.

In principle wage pressures, or control by trade unions or custom and practice of the way in which work was done, might go out of control and lead to an unacceptable degree of inflation or loss of productivity. In practice it tended to be assumed, not altogether unjustly, that when such dangers came in sight management and the Government would stand as a brick wall. Today we know better. Wage pressures can and do go out of control. In Britain and I think also in Ireland we also have the question, not so much of productivity which is lost through positively obstructive practices, but of productivity which never occurred in the first place, among other things because the industrial relations system — and I am not suggesting that only the industrial relations system is responsible for this — does not give enough encouragement to qualities such as initiative, adaptability, and readiness for change.

Perhaps I am taking too much of an Anglo-Irish view on this. But I think it is generally true in North America as well as in Europe, since the crisis which began in 1973, that industrial relations procedures are expected much more than was the case a few years ago to pass the test of contributing to productivity and the fight against inflation as well as that of improving workers' conditions. I note for example in one recent article on the American scene that the ideas about participative management made popular some years ago by writers such as Likert and McGregor have been, if not exactly driven underground, at any rate expected to measure up much more than in the recent past to the criterion of performance as well as of employee satisfaction.

#### The role of management

Finally, all these along with other developments have contributed to a basic re-definition of the role of management, and in particular of the managing director. One might I suppose argue that the change in recent years in the role of top management is a matter of degree rather than of kind. Directors and managers have always been bound by the law and by collective agreements. It has always also been true that, in principle at least, it is not they who decide the general direction in which a company is to go. That has traditionally belonged to the shareholders' meeting, including the power in the last resort to sack the directors. Top managers have on the other hand always been the people in whose hands all the strings of an enterprise come together. They have always had the job of negotiation with all the various groups and interests which affect the progress of a firm, including employees, suppliers, local authorities and other local interests, and often the Government, terms of collaboration satisfactory enough to both sides and consistent enough as regards the balance between one group and another to keep their enterprises viable. Traditional company law, of course, says that they are to do this in the interest of the shareholders, but that criterion is pretty



wide. The classic case usually cited is the decision of Lord Justice Bowen in *Hutton v. West Cork Railway* that there are to be no cakes and ale except such as are for the benefit of the shareholders. Turn that on its head, and it means that if the distribution of free beer and other goodies to railwaymen in West Cork will lubricate relationships with the railwaymen in such a way as to make the trains run better and keep the profit margin up, it may be not merely the directors' right but their duty to plant a barrel of free Guinness on every station platform.

But if one looks not at principles but at practice, it is clear that the role of directors and top managers has been and is being re-defined, bit by bit, in a very basic way indeed. As the Marxists say, quantitative change eventually becomes qualitative. It has become accepted as a matter of custom and practice — one can document this from opinion polls among managers themselves in a number of the advanced industrial countries — that a manager has a primary responsibility, and not merely one derived from his duty to shareholders, to advance the interests of employees and other groups involved in his firm. In some countries this is already part of company law, and it is interesting to note that, if the Conservative Government of Mr. Heath had survived the elections of 1974, it would have been introduced on Conservative initiative into British company law by now.

More important is the question, not of what managers are responsible for, but whom they are accountable to and how effectively that accountability is enforced. A generation ago the directors and top managers of large companies in either Britain or Ireland had in practice the last word on policy in a very wide area indeed. A British managing director who looked round his boardroom table any time in recent years would see a large proportion of the seats occupied by his own subordinates, and the control exercised by shareholders has often been exercised on a very loose rein. Looking further down the organisation, industrial relations systems as they existed in Europe till the 60's left managers in practice and sometimes by formal agreement — I am thinking for example of the famous Swedish Paragraph 32 — with the prerogative to decide on all but a narrow range of traditional negotiating issues. Labour law, or for example the law on consumer protection, also left very wide areas uncovered.

In the last few years all this has been rapidly changing. Shareholders and the financial institutions through which their interests are focused are beginning to wake up, and a new demand is growing to increase the number of non-executive directors and strengthen their role. Employee directors may be more or less effective; that depends in particular, as German experience has shown, on whether they have parity with shareholders. But they can always at least ask awkward questions, and the experience of the German coal and steel industry shows that where they do have parity they can be a

very effective controlling force indeed. The range of free decision in industrial relations has been increasingly limited by collective bargaining, even where management prerogative in this area has not been formally written off as it has been in Sweden. And, of course, there has been a rapid extension of legal controls and government intervention, not forgetting intervention by environmental and other pressure groups.

#### A system change: the enterprise of the future

There is no precise single formula for all these changes. Different countries choose different routes according to their local traditions and problems. But the general direction is clear. What is going on in Europe now is not simply the detailed adaptation and updating of industrial relations systems; it is a system change which can fairly be called a revolution. The enterprise of the future, as it emerges from these changes, is going to look remarkably unlike both traditional capitalism and traditional socialism. It will have a far higher degree than either of them of direct control by individuals of their jobs and careers, of industrial democracy, and of what the Swedes tend to call economic democracy, meaning the change I have been describing in the ownership pattern. In many ways it will be a near-worker controlled enterprise, and yet still not quite what one thinks of in the case for example of a workers' co-operative or of Yugoslav self-management. For one thing, I see the shareholder function being strengthened rather than weakened by economic democracy and the new thinking which is going on about the more effective representation of shareholders through various types of financial institution or on supervisory boards; and I see it as remaining independent and not simply being handed over as in Yugoslavia to the employees of the individual firm. That would certainly be the view from the employers' and conservative side, and what trade unions are mostly proposing is not self-owned co-operatives but National Workers' Funds; and it is a very good thing that the shareholder function should be stronger and remain independent, for its weakening has been bad for efficiency, bad for investment, and as a result bad for the consumer.

#### A reflection of change in society at large

What else can one say about these changes? They are for real; their point is a real shift in power and not merely an adjustment at the edges through better information and communication. As I said before, the keynote of recent changes in collective representation is that talking shops are out. They are all the more real because they are simply the reflection in the industrial relations field of changes which are going on right across society. If there is more demand for individuality in work, more control by individuals over their own jobs and careers, this is no more than what is happening over the widening

of choice for consumers; or for that matter in marriage and the family, as traditional stereotypes of men's and women's roles breaks up and married couples find themselves faced, not with a new stereotype of how they should arrange their marriage and family life, but with a whole range of possible patterns among which they have to choose. The range of collective control and bargaining is getting wider in industrial relations, but so is the role of pressure groups in society at large. When we talk in these days about a plural society or pressure-group democracy, we are not thinking of industrial relations alone. The change I have described in the position of top managers over against the various interest groups with which they deal is, when you come to think of it, very like the change in recent years in the role of governments. Governments too, in these days, have had to accept that their range of final decision is limited and that they must proceed largely by consensus, bargained out with the increasing number of organised groups which have made themselves too strong to be simply over-ridden.

#### A package, not a cafeteria

Current changes in industrial relations also constitute a package in which each part depends on and affects the others, and it is not useful simply to pick and choose. I underline that point, because there is sometimes a tendency to do just that and to argue, for example, that what workers really want is direct participation on the job and that board participation is irrelevant, or that it is board participation which really matters because the board is the seat of power; or, as Margaret Thatcher was doing at the British Conservative Party conference the other day, that trade unions should get back to the kitchen and deal with their members' terms and conditions of employment, but should not expect to bargain on level terms with the Government over issues of unemployment or social security or investment or import controls.

The fact is that every element in the new developments has its part to play. I take the case of the connection between board representation and participation in the firm at lower levels. Participation on the job is fine, and so is collective bargaining at plant or enterprise level, but I for one take entirely the point made by so many European trade union movements that these procedures cannot influence efficiently enough or in good enough time an important range of decisions, vital to workers, which are normally made inside boards of directors. But equally, of course, experience shows only too clearly — I am thinking particularly of the experience of some British nationalised industries — that it is pure whitewash simply to locate one or more isolated trade unionists, however able, on a board of directors without providing them with quick and efficient channels of communication to trade unionists at all other levels of the enterprise, and a constituency whose confidence they must win and to which they must regularly report back.

#### But emphasis where? — The question of Ireland

But, of course, one can emphasise this or that item in the package according to what is relevant in each country and industry. The package can be badly balanced and particular items in it can be overdone. I have mentioned already the genuine and justified fear among managers that some current proposals for industrial and economic democracy could cut so far into managers' role as leaders, negotiators, and executives as to damage the interests not only of managers themselves but of everyone concerned with an enterprise. There are fears that certain developments in collective representation could override the rights of individuals and contradict the movement to give individuals more rather than less control over their work situation. The rear of undue restriction of managers' freedom to do their job is one case in point. Another is the question of one man, one vote versus exclusive nomination of board or other employee representatives through trade union channels. A particularly acute case of this arises at the moment in Britain over the Government's proposals for exclusive trade union control over the nomination of members' representatives on the controlling bodies of pension funds. It is one thing to argue who should nominate to the board of an enterprise. It is another to propose that pension fund members who happen not to be in the right trade union should be excluded from a voice in the control of what is quite literally their own money and an organisation run for their own benefit.

On a larger scale, there is what we are beginning to label the debate about the corporate state. Whether in industrial relations or in society generally, if decisions are increasingly to be made by bargaining between highly organised groups, can we rely on this producing in any sense a satisfactory result unless the Government steps in with a dominant role — you remember what I said just now about the Chancellor of the Exchequer and incomes policy — and in effect turns the organised groups into transmission belts for policies determined at the political level?

And here at last I come to the question of Ireland. Subject always to remembering that it is a question of seeing that the package of change is rightly balanced, and not of accepting some of its elements and treating others as irrelevant, I suggest that in the case of Ireland four emphases will be particularly useful.

#### Emphasis at the bottom: the need for do-it-yourself

First of all, I am entirely satisfied that the long-run problems of the Irish economy lie at the bottom and not at the top. There is a natural tendency in times of crisis such as those of the last two or three years to look to the Government and appeal to it for heaven's sake to do something. I am not complaining of that, nor am I disputing the need for the Government to give a lead for the longer run. But when I look at the development of the Irish economy over the years, it seems to

me that what has been missing is not so much action by the Government as initiative and dynamism from the bottom, and I mean from the level of individuals as well as of enterprises and trade unions.

I include trade unions in the light particularly of Professor Hillery's *Trade Union Organisation in Ireland*. When I was asked last year to write the introduction to that book, I looked very hard at the mass of findings about what union officials and activists actually do and aim for at all levels. What struck me was a great deal of down to earth solidity in the work of Irish trade unions, but also what I can only call a certain puddingish quality. The trade union movements of most small and for that matter large countries can point to sharp-edged and distinctive achievements or aspirations in at least some fields, often one or other of those which I have been talking about. I asked myself, what has the Irish trade union movement pioneered, and where in its record are the achievements which foreigners wish to come and see as they do for example in the case of the trade union movements in Scandinavia or the Netherlands? About the only feature of this kind which I could think of was the National Pay Agreements. I am not sure that I would be quite so anxious to underline that particular achievement today, and in any case the fact that these have been *national* agreements makes my point. What can Irish trade unions show to compare with what their Scandinavian colleagues have done on direct participation on the job; or their German colleagues through the Works Constitution Law and the statutory works council system; or their British opposite numbers in developing the shop steward system, which so far as the trade union world is concerned has become a major British article of export?

A similar point came through very clearly about business enterprise when I taped interviews with successful Irish industrial entrepreneurs for my *Irish Entrepreneurs Speak for Themselves*. The question I was asking these businessmen was what in their opinion were the reasons for the statistical fact that so relatively few people in Ireland have so far followed in their entrepreneurial footsteps. If you put that question, as the Bolton Committee did some years ago, to the heads of small British businesses you would expect to find, as the Bolton Committee did, a strong accent on the misdeeds of the Government and the deficiencies of the economic climate. If I had taken my interviews a couple of years later I might well have heard more of this in Ireland. But as of 1972 the Irish Government came out of it remarkably well. Practically with one voice, the people whom I interviewed zeroed in, instead, on features of what might be called the cultural environment in Ireland which have led to few people coming forward who have been trained to act rather than merely know; to go out and create or change something or themselves rather than merely to administer; and to be aware of the standards of performance and of personal conduct which make these things possible.

I hesitate to add the evidence of the psychologists, because one thing which I learnt while working at ESRI is that there remains a certain suspicion of the dark arts which these people practise. Perhaps I should say rather that one branch of psychology which at least some psychologists have studied less than they might is the psychology of putting over their own psychological findings. Nevertheless, the evidence from the studies of people such as Richard Lynn and John Raven is there, and it is worth quoting. John Raven's work has covered a very wide area, but I think the nearest summary of its general drift is in the paper by Raven and Litton on *Irish Pupils' Civic Attitudes* published earlier this year. "These results", the authors say, "suggest that Irish pupils' view of the role of the citizen has been one of working hard at those tasks his elders and betters have decided are important", of accepting authority and doing his best to get ahead within the system as it is rather than of going out and doing something active to change it. This type of attitude, they suggest, is both encouraged by the teaching methods used in Irish schools and reflected into adult life.

Lynn, like Raven, works from international comparisons. In his ESRI paper on *National Differences in Anxiety* he studied the level in different countries of a factor which he called alternately "emotionality" or "anxiety"; terms, as he says, intended to convey the implications of worry and strong motivation. When the countries which he studied are listed in order, the connection with economic performance stands out only too clearly. At the top, high on motivation and worry, are countries such as Japan, Germany, Austria, Italy, and France. In the middle is a group of countries, which I suppose most of us would wish to take as models, which have managed to achieve high economic performance without more than a moderate level of worry and anxiety; the Netherlands, the Scandinavian countries, and Switzerland. Below these come the sleepy fat cats such as the United States before Viet Nam and Watergate, New Zealand, and of course the United Kingdom, which have led the way in economic performance in the past, but on which others by the sixties were catching up. In the case of the United Kingdom the fat has now unquestionably run out, and I suspect that in Lynn's next survey worry and anxiety are going to register a lot higher. Finally, at the bottom of the list, last and least aroused and motivated of all, there is Ireland. Just why each country finds the place in the table which it does is an interesting question which I will not try to go into just now. But Lynn's picture of the unaroused Irish eating too much, smoking too much, and filling the mental hospitals with cases of depression fits only too neatly with the other evidence which I have quoted of lack of resilience and initiative from the bottom.

My first conclusion therefore is that, whatever may be the case elsewhere, in Ireland the weight of the participation revolution needs



to be at the bottom, in a general way on do-it-yourself. I am thinking certainly of collective action at enterprise level, for example the establishment in each enterprise of a joint management-union job creation team; but above all of action which reaches directly down to the individual through measures such as I mentioned earlier to encourage more initiative and control in people's own jobs and careers. I know that developing initiative of this kind is not only a matter for industrial relations and enterprise. It depends also among other things on the national economic climate, and I have noted in passing the contribution which might be expected from the schools. But industrial relations too has its part to play. In the many experiments now available from different countries in the re-design of jobs and re-structuring of work groups the pay-off has tended to show itself, not always in immediate gains in productivity, but regularly and consistently in qualities such as initiative, adaptability, and readiness to face and create change; which among other things tends to spill over, as a Scandinavian trade unionist pointed out at the OECD conference that I mentioned earlier, from the work situation itself into, for example, the interest and activity of members in their union branch. That, for Ireland, is where I would put the first priority.

#### Defining bargainers' responsibilities: a plural society needs an ideology

My second conclusion about emphasis has to do with the question of the plural society and the corporate state. If the problem of Ireland is lack of resilience from the bottom, then the last thing this country needs, unless as a strictly temporary emergency measure, is any further intensification of the tendency to look to the Government for a lead. If widespread initiative is what is needed, this calls for a very open type of economy in which everyone in each enterprise understands that the future of that enterprise depends on their own competitive efforts; in which collective bargaining is substantially free, and industries and occupations are expected to sort out their problems by their own collective efforts. There can still be a national plan, on the lines of the Whitaker plan at the end of the 50's, for the Government has to establish directions for those areas of economic policy which it must in any case control. The Government is also, so far as collective bargaining is concerned, itself very much part of the bargaining process, both as an employer and through the way in which its fiscal and other policies adjust to or influence what is going on in the bargaining world. The accent, however, needs to be on wide distribution of the responsibility to decide, where necessary by bargaining with other groups, and to sink or swim according to how decisions turn out. One could say this of any advanced economy, since the experience of the socialist as well as the capitalist countries shows that as an economy becomes advanced and complex it becomes increasingly difficult to manage it from the centre; it must rely on

decentralised decisions. But in the special case of Ireland an accent on decentralising individual and corporate decisions is doubly essential, because it is with individuals and at the lower levels of organisation that the weakness of the Irish economy lies.

But what in that case of the argument that if decisions are decentralised; and more and more groups get organised; and more and more decisions are taken through bargaining based on power relationships; either or both of two things will happen — the economy and society generally will become ungovernable, or, if some sort of stable pattern of relationships does emerge, it will bear no defensible relation to the welfare of individuals or the community?

This is a very real question, which has no simple answer. It is only too obvious today that uncoordinated, free-for-all bargaining between different interest groups, however satisfactory to the immediate parties, is no more guaranteed to add up to a satisfactory result for society and the economy as a whole than the free competition between individuals and firms on which Adam Smith relied for his hidden hand. The obvious example, of course, is the tangle which has arisen over incomes policy, unemployment, the balance of payments. Yet neither can it be left to any single agency or agencies to cut the knot and impose their own solution. At the industrial relations level, I think most of us in the business are by now fully convinced that what has sometimes been called the unitary view of the enterprise is a myth. An enterprise is the focus of many and sometimes conflicting interests, and these have to be bargained out and not simply dictated to by management. At the national level dictation of economic and industrial relations decisions by the Government is probably unenforceable in our kind of society, and should in any case be ruled out, except in special and occasional emergencies, for the reasons I have just given which specially apply in Ireland.

In the end the best answer lies, if I may use a dirty word, in ideology. We need a situation in which people in all the main pressure groups, whether they are shareholders or managers or trade unionists in industry or parties in politics, recognise that while they have the right and duty to press their own special interests, there is also a common good in the sense that each party or group can achieve its own ends only through some degree of cooperation with others; and in which all concerned understand and respect the rules of the game under which they must play if the common good is to be arrived at. There needs to be a common understanding of how trade unionists, or investors, or managers or the Government must act in a plural bargaining situation if they are to get the most mutually satisfactory deal overall.

I press this point because I doubt very much whether the rules of this particular game have been worked out in Ireland even as far as in most other industrial countries, and that is not saying a great deal. There has been a lot of talk here as in other countries about the wider

responsibilities of management, and perhaps that is where we have got furthest; though I suspect that even in that case there is still a wide gap between the theoretical understanding of the thinkers and what happens down at the practical level. In re-thinking the roles of unions, or investors, or the Government in a bargaining society or pressure-group democracy we have hardly started.

I refer to ideology because that is what I am talking about; an organised body of ideas, cutting across all these various groups, and serving as a guide to action. What I would like to see is a major effort of discussion and education to get this body of ideas clear and understood. In the case of Ireland there are several possible starting points. In the classification of countries according to who has guided and directed their modern development, Ireland appears as having been led by a nationalist elite. That is one possible point on which to take hold. Another is the social doctrine of the Christian churches. But those are only beginnings. What is needed now is to argue out the implications of sets of general principles like these in the light of the actual experience of the different parties involved in industrial relations and the management of the economy in the conditions in which we are living today.

I suspect strongly that the effort needed to do this has been underestimated. Perhaps I have been brainwashed on this. I spent the last year sitting on the British Government's Committee on financial aid to political parties, which involved among other things taking a hard look at what parties actually do, and how what they do in Britain compares with what is done in some of the other democracies. The result was a considerable shock to most members of the Committee, beginning with me. When we looked at the sheer volume of political education, of the exchange of ideas between individuals and groups and political parties, which goes on in countries like Sweden or Austria or West Germany, we began to realise just how poverty-stricken in every sense of the word the process of political and general civic education and discussion in Britain is. And I do not think we would have been any happier if we had instead been comparing some of these other countries with Ireland.

#### "Economic democracy"

The third emphasis which I would like to see is on the democratisation of ownership. I believe that two of the most useful things which can be done for the benefit of the economy as well as of individuals in a country like Ireland are to make the role of shareholders stronger and more active, but at the same time to dissociate the idea of ownership, investment, and profit from that of a rich class whose interests stand over against those of the workers.

The record of shareholders and shareholding institutions in these islands in recent years has too often been dismal. Shareholding institutions such as insurance companies and pension funds have

too often been reluctant to use the leverage which their holdings give them to monitor management's performance and insist on the efficiency which their own members' and policy holders' interest requires. They have failed to provide a firm backing for management against inflationary wage claims. A main reason why wage inflation has run out of control is that the owners' side too often prefers the easy way out. Shareholding institutions have also too often been short-sighted. I think for example of the current controversy in Britain about the tendency of pension funds to go for immediate return instead of backing projects for regional or manufacturing investment with a lower immediate yield, but which would improve the structure of the economy and benefit their members in the longer run. Individual shareholders' interests have not been focused and brought to bear as a powerful and far-sighted influence in the way in which this is done, for example, by the German banks.

We need a strong and far-sighted force on the owners' side of the bargaining table, but equally we need to get away from the climate in which profits and investments are misunderstood by the general run of workers, perceived — and to a considerable extent if declining extent with justice — as a private racket of the rich, and so squeezed through politics and collective bargaining to the point where jobs are lost and the growth of real incomes is held back. If economic democracy as I described it earlier is introduced in the right way, both these sets of objectives can be achieved at once. The distribution of share ownership can be made obviously and acceptably fair. Workers at all levels can be brought into direct and responsible contact with the real problems of ownership and investment, and I would expect to see as a result a growth on their part of realism and responsibility such as has been apparent not only in a case like that of Yugoslav cooperatives but in the limited number of cases where members and their union representatives already have parity or close to it on the controlling bodies of pension funds. At the same time advantage could be taken of this re-shaping of the pattern of ownership to ensure that the new holdings are held through mutual funds and institutions which would use their ownership powers more effectively and in a more far-sighted way than in the past.

The problem is how exactly to go about it. There are plenty of suggestions on the table; I have mentioned some of them earlier. But they go in different directions and often are not fully worked out. This is not an area where a ready-made and properly negotiated package is available in any country, let alone in Ireland. I would like to see an early start with experimentation at the level of individual firms and industries. A union which wanted to make a start might for example take a look at some of the investment wage contracts which have been negotiated by their colleagues in Germany. But, in spite of all the well-known disadvantages of committees and commissions, I think that this is a case where one major early step would be to

establish a Committee on Economic Democracy, not necessarily to set out a final plan but to clarify the issues and list the choices for negotiation or legislation. It would have of course to be followed with a campaign of discussion and education such as I talked about just now. We are not yet up to the stage of comprehensive legislation. But this is an area where action seems to me to have high priority, and that we ought to start the wheels turning soon.

#### Defining the role of management

The fourth emphasis which I would like to see is on defining and protecting the position of management in the new structures of participation. There are of course plenty of problems in the management structure itself. I am struck, for example, by the rise in companies in a number of countries of public affairs departments which bring together the expertise needed to deal with environmental and general community relationships. I wonder if enough has been done on that line here. I am struck, again, with Peter Drucker's findings in his recent book about Japanese management about the very different pattern of working in Japanese top management compared to what is usual in the West. He points out that Japanese managers are often by western standards unconscionably slow in reaching the point of decision on a new project. The reason is that they tend to spend enormously more time in discussing all the angles of a possible project and bringing every conceivable group within the firm fully into the discussion. The result, as Drucker says, is three-fold. Japanese managers are often much better than their western opposite numbers in finding out what question it is that they are really trying to answer before coming out with a decision which may be premature. Secondly, when the point of decision is finally reached everyone concerned has been thoroughly briefed, all angles have been explored, and at that stage decisions can be reached at a speed which often leaves western managers gasping behind. Thirdly, because so much of top management's time is taken up with working out all angles of a new policy, they have of necessity to delegate other tasks much more fully and freely to those down the line, who accordingly are left with more freedom of action and a more challenging job to do.

But what I am particularly talking about now is not the management structure itself but management's role in the other aspects of the participation revolution about which I was talking earlier on. A manager like any other worker is entitled to direct participation on the job, in other words the freedom to use his initiative and discretion in doing what the job entails. As I said earlier, the central role of management today is not to have the final voice in policy — that sort of management prerogative is going or has gone — but to take the lead in negotiating mutually acceptable and consistent working arrangements with each and all of the parties involved in an

enterprise, treating the owners as one party among others, and then in translating these arrangements into effective executive action.

There is a good analogy for what is required in the relationship laid down in company law between a company's shareholders and its directors. The shareholders can lay down the general terms of reference of the directors through the company's memorandum and articles of association. They can reserve certain decisions of the directors for final approval by the shareholders' meeting. If they dislike the general way in which the directors run the company, they can sack them. But what company law forbids them to do is to interfere with or override the directors' discretion not only in the day-to-day running of the company but in negotiating company policies, including where necessary taking the lead in negotiations to change the terms of reference laid down by shareholders themselves. Company law has also increasingly recognised — though much more clearly in, say, the Netherlands or Germany than here or in Britain — that managing directors are not merely the servants and executives of boards but in effect a third organ of the company, alongside the board and the shareholders' meeting, with their own separate area of responsibility with which others ought not to interfere. As the German Companies Act of 1965 puts it, they "lead the company on their own responsibility".

Exactly that sort of analogy applies also in industrial relations. The idea behind the TUC's "status quo clause" might be translated as follows. Policies are a matter for joint determination, but managers not only are to direct executive action within existing policies but may and should also take the lead in negotiations to change them. Formulas on those lines are also spelt out in the new Swedish legislation on management prerogative and, still more clearly, in the co-determination clauses of the German Works Constitution Law. But I am not at all sure that in the industrial relations world generally the need to define managers' responsibilities for initiation and negotiation as well as for execution in this way and to give them a clear run is always well understood. There is a particularly clear example of misunderstanding of this in current British discussion of union representation on boards. The TUC's proposals for board representation, as well, I regretfully add, as those of the Liberal Party, talk about executives' role as being "day-to-day management" under the direction, not merely the supervision, of an upper-tier board. The German Companies Act puts managing directors' role much more clearly and correctly, as does the Draft Statute for the European Company. Whether at managing director level or below, the nature and scope of managers' role in leadership, negotiation, and the reconciliation of interests in the new world of participation and bargaining needs today to be spelt out and, preferably, expressed in institutional form. The two-tier board system as it has developed in Germany or the Netherlands is one clear and simple way of doing

this, and for that reason I am very hesitant over the current Irish Government proposals under the Worker Participation (State Enterprises) Bill.

The other point which needs to be watched about management's role in participation is managers' own collective representation. Managers have of course their immediate personal interests in pay and conditions of employment, and it is not surprising that management unionism is spreading to secure these. But there is also something else. Managers have a distinct point of view, from a position in the middle where they can see not only what is happening below them on the shop or office floor but also above them in the boardroom, and it important to everyone in a firm that this view should be expressed. I learnt a lot about this from the two enquiries which I did on industrial relations in the ESB in 1968-9 and on the banks' stoppage in 1970. In both cases, what middle and senior managers said when they got themselves together and expressed a collective view of what they saw as having gone wrong very greatly influenced the report; and the important point is that what they said could have been said by no one else, because they alone were in a position to see the whole of that particular set of facts. Management's collective voice needs to be provided for in participation at the level of the enterprise, and also at the national level. One recent development in Britain which I very much welcome is the decision of the British Institute of Management to change its legal status so as to allow it to act as management's collective voice.

#### The ordinary machinery of negotiation and consultation

Those are my four emphases. You will notice that I have said rather little about the ordinary machinery of negotiation and consultation whether at plant level or higher up, including now representation on boards. No one here needs to be told that there is still plenty to be done in Ireland to improve this machinery, whether by extending existing good practice to firms and organisations which do not yet have it or by improving practice generally. I am thinking of such things as wider use of arbitration for settling conflicts; better communication and staffing within unions; better coordination between unions at both national and firm level, and arrangements for orderly determination and change of bargaining agent; and of course further progress on board representation and on extending the agenda of negotiation. No country can simply take over the industrial relations pattern of another. But I still like to dream of the day when Ireland, and for that matter Britain, will have a system of negotiation and consultation as comprehensive, as well-designed in all its parts, and as smoothly effective for workers, unions, and employers alike as the one which has developed through the last sixty or seventy years in Germany.

But improvement in the machinery of negotiation and consultation

is the aspect of moves towards participation which is least likely to be overlooked; and meantime the existing machinery is there, and functioning a good deal better than it is sometimes given credit for. In picking my priorities now, I see this machinery above all, not as itself the main area for reform, but as the available and existing means for achieving the other things I have been talking about. Whatever moves are made towards more direct participation on the job, or new patterns of ownership, or new definitions of management prerogative and the proper sphere of managers' freedom, no one in the industrial relations business is likely today to argue that these things should be achieved except through negotiation with full involvement of the trade unions. Experience with schemes for direct participation on the job, for example, shows that even their initial success and still more their continuation in the long run depends on joint union-management sponsorship. I was reminded the other day that the West German Ministry of Labour will not today support proposals for even a pilot scheme on direct participation unless joint sponsorship is ensured.

#### The agenda situation and the importance of industrial relations

And that leads me on to my last point of all. When you look at any of the areas I have been talking about, it is obvious that we are dealing not merely with unfinished business but with business which is unlikely to be finished for a long time. We are in what I think of as an agenda situation in which many new questions have been posed, many interesting beginnings have been made, but at no single point have generally agreed solutions yet emerged. A good example has been the debates on employee representation on boards in connection with the European Community's Draft Fifth Directive on Company Law. A year or two ago the proposals in the Draft Fifth Directive looked simple and clear-cut. You could have the German pattern of employee representation on boards, or the Dutch pattern, or no employee representation at all, if employees voted accordingly. Today, if you look at the Community's more recent report on *Employee Participation and Company Structures*, these clear propositions have dissolved into mist. After further consideration of the position in different countries, including the differing views of trade union movements, the Commission of the Community has had to recognise that no single or simple set of formulas is as yet generally acceptable, and accordingly that a whole range of choices will have to remain open for many years to come.

In this sort of situation the traditional view of industrial relations people comes into its own. Industrial relations is of course concerned with the substance of what is to be done; what wages are to be paid or what conditions of work are to apply. But it is second nature to anyone in the industrial relations business to insist that what we are concerned with first and foremost is not substance but procedure. There will always be problems in industrial relations. Our business is

first and foremost to ensure that procedures shall be used skilfully to ensure that these problems are properly discussed, so that the right questions are asked and workable and acceptable solutions come out. There must of course first be usable procedures, but that is covered by my comment just now. There are times and places where it does not matter very much how procedures are used, because there is enough agreement about what the problems are and how they ought to be solved, and all that is needed is a good secretariat to write the conclusions down. But that is not the world in which we are living now, nor are we likely to be living in that sort of world for many years to come. The kind of world in which we are living is one in which the special skills of industrial relations people come to the front. And that is the message with which I would like to leave you at the end of this first Countess Markievicz lecture. Industrial relations people are often regarded as useful hand-maidens sweeping up the odds and ends of problems on the shop floor. They are that, of course, but at the moment they are much more. They have an approach to the definition and method of solving industrial problems which at the moment is more important than knowing or thinking that one knows the right answer to any one problem by itself. And perhaps I might also add that, for that reason, in the world in which we now live, governments too might do worse than to borrow some ideas from the industrial relations field and to go to school in the Department which Professor Hillery heads.