

The Fifth Countess Markievicz Memorial Lecture

**Conflict and Consensus in Industrial
Relations in some OECD Countries**

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R. O. Clarke

The Countess Markievicz
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Conflict and Consensus in Industrial Relations in some
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The Countess Markievicz Memorial Lecture has been established by the Irish Association for Industrial Relations with the support of the Department of Labour. Countess Markievicz was first Minister for Labour of the newly-independent Irish State. The objective 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 Fifth Lecture was given by Mr. R. O. Clarke on November 10, 1980 at the Royal Hibernian Hotel, Dublin. Mr. Clarke, an engineer by training, was for many years Secretary of the Engineering Employers London Association. For the last 11 years he has been with the Organisation for Economic Co-operation and Development, Paris, where he is a Principal Administrator in the Social Affairs and Industrial Relations Division. He has also been a Research Fellow at the London School of Economics, Visiting Professor of Industrial Relations at the University of Wisconsin, and has worked as a management consultant. Mr. Clarke has written widely (and lectured in 13 countries) on industrial relations subjects, notably on comparative industrial relations.

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CONFLICT AND CONSENSUS IN INDUSTRIAL RELATIONS IN SOME OECD COUNTRIES

Introduction

Apart from indicating that they were interested in the industrial relations experience of other countries your organisers were kind enough to give me freedom in deciding what to present to you tonight.

I intend first to reiterate some of the basic verities of industrial relations in industrial market economies — that is elementary stuff but sets the stage and illustrates my own approach to our subject. Next I shall paint a broad-brush picture of the development of industrial relations systems since the war. Then I shall turn — both because of its central and topical importance and because it throws a great deal of light on how different countries deal with a common problem — to the determination of wages (which for most purposes in this paper I shall regard as shorthand for wages, working conditions and working practices) in an inflationary environment. Finally I want to reflect on the link between the nature of industrial relations systems and some wider characteristics of our societies.

In all of this I want to make it clear at the outset that I am expressing my personal views, which are not necessarily those of the OECD.

I should also say that I shall be talking of the relatively homogeneous, democratic, industrialised market-economies which make up the OECD, though even there I shall leave out some whose inclusion because of size, lesser degree of industrial development or relatively recent major political changes, would stretch my already rather wide field of consideration without increasing the value of the analysis. I shall not be so bold as to suggest implications of what I say for domestic Irish problems: that task I shall leave to you.

I imagine that the distinguished lady in whose memory these lectures are given would have had a very down-to-earth approach to today's industrial relations, as she had to those of 60 years ago. So, despite the level of generalisation necessitated by the wide field I have chosen to cover I shall try to avoid an academic approach as far as I can. Our subject of industrial relations is concerned with basic human problems which affect nearly all of us throughout our working lives.

The Nature of Industrial Relations

Industry is not in business to have industrial relations, though they are inevitably an element in all concerted human activity involving employment — and their success or failure affects both a country's material wealth and people's happiness.

A second fundamental truth is that, almost irrespective of countries' politics or traditions, the industrial relations systems must have certain common elements: they must determine wages and

P 331. 89 IR₂
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working conditions and practices at the workplace, and they must regulate relationships within the work community.

Thirdly, an industrial relations system is shaped by three basic factors — the economic environment, the social environment, and technology.

By what criteria should an industrial relations system be judged? I suggest four tests:

1. Does it meet the needs of managers and workers at the workplace?
2. Is it conducive to the efficient operation of the enterprise?
3. Does it regulate relationships to the satisfaction of society at large, favouring both economic and social advance and operating without undue disruption of national life? And,
4. Is it accommodating (or better still conducive) to economic, organisational and technological change.

What can be said about the extent to which different countries' systems measure up to these tests? On the first criterion there are probably more differences within a country than there are between countries. But generally speaking human ingenuity almost always finds ways in which managers and workers can get along tolerably well. Attitude surveys commonly suggest that a great majority of people are at least moderately satisfied with their work life.

The second test is more problematic. How much variation in efficiency can be ascribed to such factors as the quality of management, the availability of capital, or the nature of the workforce, as opposed to the effectiveness of industrial relations institutions and practices, hardly lends itself to generalisation.

With the third test too, it is difficult to disentangle the industrial relations element from other factors and judgement must be subjective. But there is fairly general agreement amongst informed observers, for example, that the extraordinarily co-operative way in which people work together in Japanese enterprises is a potent factor in Japan's economic success and a somewhat commonly expressed view, on the other hand, that the obdurate problems frequently encountered in British industrial relations are equally a factor in the disappointing British economic performance.

The connections between industrial relations and social advance are too complex — and to a large extent tenuous — for me even to attempt to analyse them, but the view society generally takes of industrial disruption is clear enough, if sometimes lacking in understanding. Strikes are always news, whereas little attention is likely to be given to industrial peace and its causes. Strikes inconvenience people and, it is said, must therefore be discouraged.

But is the strike so dangerous a phenomenon? It is, or should be, a logical and foreseen continuation of the collective bargaining process.

It can lead to a healthy dispersion of tensions. Without strikes many socially-desirable improvements we now take for granted would have been, at least, retarded. I have suggested elsewhere¹ that there is no clear relationship between strikes and economic growth. That said, it would seem self-evident that some strikes may be so important that a balance must be struck between upholding the right to strike and ensuring the health, safety and economic life of the nation, and, more generally, that if peaceful and less expensive ways can be found to arrive at a just outcome of a dispute it is surely better to employ them.² And, of course, a strike should be a matter of last resort rather than first resort.

As to my fourth test, concerning adaptation to change, the Swedish Rationalisation Agreement of 1972 represents one approach. Productivity bargaining, as originated in the United States and extensively developed in Britain at the end of the 1960s is another. In several continental European countries expected changes are required to be discussed by works councils. And, of course, it has been argued that a particularly useful function of the worker-directors introduced widely in North West European countries is to facilitate an optimal solution for the conflict between economic desirability and social cost involved in many changes. In passing I would remark that technological change,³ and the need for ready industrial adjustment to enable the older industrialised societies to continue to compete effectively in world markets, are likely to test severely the capacity of our industrial relations systems to facilitate change in the years before us.

The Post-War Evolution of Collective Bargaining

With the foregoing thoughts about the nature of industrial relations in mind I now want to turn to how systems have evolved since the war. Again, for the present purpose I only want to indicate the broad lines of development and though I hope this historical excursus will be of interest in itself, its main purpose is to set the stage for considering the efficiency of industrial relations procedures in determining wages in relation to national economic and social needs. For this reason I shall concentrate on the evolution of collective bargaining, regarding it as the key institution of industrial relations practice.

For the advanced industrial countries about which I am talking, collective bargaining has long been the socially preferred way of

1. R. O. Clarke, *Labour-Management Disputes: a Perspective*, in *British Journal of Industrial Relations*, March, 1980.
2. For a summary review of means of resolving disputes see *Labour Disputes: A Perspective*, OECD, Paris, 1979.
3. Technological change is not, of course, new, and industrial relations systems have to accommodate it at any time. What is significant at present is that the implications of some recent changes for employment are quite extensive and that the changes are occurring against a background of slow growth and job insecurity.

determining wages. (I would only make an exception for Australia, which for well over 70 years has used judicial-type machinery — now the Commonwealth Conciliation and Arbitration Commission — as the main instrument of wage determination. Incidentally the founding-father of this institution, Henry Bournes Higgins, was an Irish immigrant).

A century ago; 50 years ago; collective bargaining was seldom a matter of concern to public policy. Of course the State was anxious that the process should operate without too much friction, and particularly without disruption of essential services, and the public was concerned when the parties failed to resolve a problem in a high-profile industry, or where a dispute dragged on, causing hardship in a community, but the State rarely intervened in particular negotiations. The legal framework was probably set by the legislature, public conciliation services might be made available to the disputants, and minimum working conditions might be prescribed, but the State was unlikely to want to go further.

The two world wars brought the experience of State intervention to a number of countries, in respect of both wage determinations and the movement of labour. Then, after the second world war, when the economic take-off began, the Korean war and full employment (at least for many countries and by earlier standards) and other forces, coupled with new concepts of economic tuning by governments, combined to produce a number of situations in which it appeared that collective bargaining was resulting in outcomes which were not compatible with the economic policies which governments considered it necessary to follow. There was much talk of national wage policies and a number of interventionary governmental measures were applied.

Over the roughly 25 years of virtually uninterrupted and steady economic growth (say 1948-1973) there were three inter-related widespread developments which call for comment here. Firstly, collective bargaining underwent some important relevant changes. Secondly, workers' attitudes changed. And thirdly, in an increasing number of countries people came to perceive a growing conflict between collective bargaining outcomes and the needs of economic policy.

Over these years collective bargaining not only extended to cover more people, and a wider range of occupations, (notably more white-collar workers, managers and supervisors, and public employees), but the subjects bargained widened out from the staples of wages and working time to include many matters traditionally regard as within managerial prerogatives or, at the most, subject to joint consultation.⁴ The common distinction between matters to be

4. Thus in Italy, during the latter part of the period under review some employers came to bargain such matters as investment policies and even the provision of civic amenities. The Swedish Codetermination Act, 1976, sought to establish the principle that unions were free to bargain over any aspect of the life of the enterprise.

bargained and matters appropriate for consultation became blurred, to say the least.

The levels of bargaining also changed in a number of countries. Where enterprise bargaining was already prevalent, as was largely the case in North America and Japan, there was little change but in several countries where national (or regional) industry-wide bargaining had been usual, as in Britain and some continental European countries, there was a shift — in some respects (as in France or Sweden) towards the central level; in others, (as in Britain) toward the enterprise or workplace.

Indeed in Britain, as the Donovan Commission pointed out,⁵ by 1968 two distinct systems of industrial relations had come into being and needed integrating; the formal, as embodied in national industrial collective agreements, and the informal, that is to say what actually happened at the workplace. In Sweden, incidentally, the move to the central level developed into a system of carefully articulated bargaining, with the central agreement prescribing the limits to industry bargaining and industry agreements prescribing what variations were permissible in the enterprise. Where there was a move to the central level it was mainly attributable to the growing significance of what was bargained to national economic and social policies.

Lastly, there were some signs of shifts in the balance of strength which underlies collective bargaining, in some respects towards employers but mainly towards organised labour.

Side by side with this evolution of bargaining came the widespread increase in workers' participation in management. Of course, defining participation as having a say in the formulation or carrying out of decisions concerning the enterprise, collective bargaining is itself a form of participation — and the wider the subjects bargained and the lower the effective bargaining level, the more the opportunities for participation. But other forms of participation developed too.

Participation through consultative bodies in the enterprise took a quantum jump forward, mostly just after the war, when works councils or committees were made mandatory by legislation or national collective agreement in all West European countries except Britain, Ireland and Switzerland. Very much more than the earlier British-style joint consultative committee which enjoyed a vogue during and just after the war, the continental works councils were given explicit rights to information, consultation, and, in some cases, to co-determination or even unilateral decision-making. Their progress has not been spectacular but the tendency has continued to be to strengthen them and certainly not to discontinue them. In some countries their rights give them an appreciable power to check

5. *Report of the Royal Commission on Trade Unions and Employers' Associations*. H.M.S.O., London, 1968.

unilateral management decisions, particularly in the social field.

However, the extension of participation which has been most in the public eye has been the introduction of workers on boards of directors, in virtually all the North West continental European countries. One of the less talked about aspects of this is the extent to which it reflects (as indeed does the works council) an integrative or consensual approach to the problems of the workplace — the spirit that all will benefit from a successful enterprise.

Attitudes

The second characteristic of the post-war evolution of industrial relations that I listed was the changes in attitudes amongst workers. They derived⁶ largely from changes in education, the support of the Welfare State, low levels of unemployment (at least in most of the countries I am talking about, at most times and by pre-war standards), enhanced expectations based on economic growth, and a combination of organisational and technological changes within industry. In sum they amounted to a new assertiveness on the part of workers.

By the late 1960s there was a spirit of challenge in the air in a number of countries. Authoritarian structures or attitudes were questioned. In industry there was a rising wave of strikes.⁷ It seemed that new social and economic structures would have to be evolved to respond to the new needs. But in 1973-4, with the first massive round of oil price increases (though there were other economic forces at work too), the economic environment changed.⁸ Growth slackened, inflation and unemployment increased. Some countries encountered the unexpected experience of stagflation — a stagnant economy with inflation and high unemployment.

There was widespread hope, and indeed expectation, that the economic check would be temporary: in fact it has proved obdurate and the most recent increases in oil prices have threatened another setback. I do not want to exaggerate what has happened. The levels of unemployment have indeed become unacceptably high in many countries. Inflation did commonly reach new heights and remains a serious threat. Growth rates are still commonly well below those of the 1960s. But, growth rates are commonly still high by pre-war standards

6. See R. W. Revans, *The Changing Attitudes and Motivations of Workers*, OECD, Paris, 1972.

7. See J-D Reynaud, *Industrial Relations and Political Systems: Some Reflections on the Crisis in Industrial Relations in Western Europe*, in *British Journal of Industrial Relations*, March, 1980; S. Barkin, (ed.), *Worker Militancy and its Consequences, 1965-75*, Praeger, New York, 1975; and C. Crouch and A. Pizzorno, (eds.) *The Resurgence of Class Conflict in Western Europe since 1968*, Macmillan, London, 1978.

8. See P. McCracken et al, *Towards Full Employment and Price Stability*, OECD, Paris, 1977.



and the rate of inflation is showing signs of weakening in a number of countries.

The changes which started in 1973-4 made a considerable impact on industrial relations. Workers' expectations of continuous improvement in living and working standards met the hard economic reality that there was not the money to pay for them — at least not real money, only paper money. The speed of adjustment to the new situation varied considerably between countries and although probably the sources of conflict changed somewhat, industrial strife remained at high levels in many countries, as workers struggled to maintain customary living standards or to keep pace with gains made by other workers in a rapidly changing environment. As it became clear that the economic set-back was not going to be overcome quickly union efforts had to be mobilised to protect employment and, politically, to seek job-creation measures and guard social services from economies in public spending, which some governments felt had to be made, as well as striving to maintain living standards.

With this rough sketch of relevant post-war developments I come at last to the major current problem I have chosen to illustrate how different industrial relations systems have responded to the changing circumstances, and the implications of those responses, namely the determination of wages in an inflationary environment.

Collective Bargaining and Economic Policies

Governments in the post-war period have sought the simultaneous and continuous attainment of four economic objectives which are relevant here; stable prices, economic growth, full employment, and a satisfactory balance of payments. At the same time they have wished to maintain free collective bargaining. In the event few governments have succeeded in achieving all these desiderata at the same time. Given good economic growth and labour scarcity, wages have tended to rise rapidly, pushing up prices and threatening the balance of payments. The optimal pursuit of these joint objectives has been difficult, and their attainment rare.

But there has been a considerable variation in experience as between different countries. The latest rates of annual consumer price index movements that I have seen, for the OECD countries,⁹ (August 1980), showed rises varying from 4.2% in Switzerland and 5.5% in the Federal Republic of Germany, through 22.0% in Italy to 57.7% in Iceland. (The Irish figure was 18.8%). Unemployment rates for 1978 ranged from 0.4% in Iceland and Switzerland to 8.3% in Canada, 8.7% in Ireland, and 8.8% in Turkey.¹⁰ And GDP movements (1979 on 1978) varied from a fall of 0.4% in New Zealand to rises of 5.9% in Japan and 6.5% in Finland.¹¹

9. Main Economic Indicators, OECD, Paris, October 1980.

10. OECD Observer, March 1980.

11. Main Economic Indicators, op. cit. The corresponding Irish figure was 3.1%.

Of course, variations in economic performances are to be expected. I have introduced them here because they are part of the backdrop against which collective bargaining takes place and because economic growth is the main source of real bargaining gains. And as I have already said, the outcome of bargaining has tended, particularly over recent years, to present increasing problems from the point of view of economic policy-makers in a growing number of countries.

In the nineteenth century collective bargaining was virtually self-regulating. If trade and profits were good, workers went for a wage increase; if they were bad, employers sought to reduce wages. Prices were commonly relatively stable — to take Britain in the last quarter of the nineteenth century, for example, wages generally rose slightly but prices tended to fall steadily.

Until some years ago the determination of wages relied mainly on the ability of employers to pay, with much of the increases accountable to rises in productivity. Over more recent years the rationale for increases has come to pay a greatly increased regard to the cost of living (though this has always been an important factor) and to comparability with convenient reference groups of other workers. The considerable growth in the size of the public sector, where the profit constraint is often absent or muted, has added to the importance attached to comparability as a yardstick for determining equitable wages.

It has become a rather general social belief that come what may wages must rise. In fact, of course, this is an artificial construct. Obviously, *real* wages can only be increased, broadly speaking, at the cost of other income-receivers, through greater efficiency, or through improvements in the terms of trade.

Before getting into more detail about the increasing problems, in a number of countries, in reconciling the outcome of bargaining with government economic policies, I need to express some qualifications.

Firstly, I am not asserting that the way that collective bargaining works is the main cause of inflation. I *am* asserting that the product of collective bargaining *may* contribute to inflation and that, at any rate, bargaining is commonly effective in turning price increases into wage increases, which in turn rapidly become further price increases. (And in case it seems that the easy way out of this spiral is price controls I would point out that such controls have not proved very successful where they have been tried in practice.)

Secondly, I am *not* asserting that where there is a conflict of view, government economic policy-makers must be right and collective bargainers must be wrong. I *do* assert that, though there is room for reasonable people to dispute the relevance and analysis of economic data, there should be no doubt amongst either group of decision-makers as to the facts of the country's economic problems and the policy options open to deal with those problems, and that each group

should understand the other's views and the limits to its freedom of action. I would add the opinion that the public interest should be taken into account at the bargaining table. (It is interesting that in Australia the government — acting as representative of the public interest — presents its own submissions to the Commonwealth Conciliation and Arbitration Commission.) Let me also make it clear that in saying that the public interest should be taken into account by bargainers I am not suggesting that in times of economic difficulty all or most of the burden should fall on workers. No set of policies is likely to succeed unless they are perceived as equitable by the mass of the population.

Thirdly, no-one can judge how important the structure and operation of collective bargaining have been in relation to countries' economic performance. But it seems fairly obvious that a system in which non-inflationary wage increases are fixed without a lot of industrial strife is better than one where the reverse is the case. Incidentally — and it is natural enough — the experience of a number of countries suggests that price stability and wage stability go hand in hand.

These things said, what is a government to do when collective bargaining seems to be producing results likely to upset counter-inflationary policies? It can use economic tools, notably monetary and fiscal policies, to change the economic environment in which collective bargainers bargain. It can legislate, or use its powers to order, limitation of the outcome of bargaining — either a simple 'freeze' or a complex measure designed to take care of cases where a freeze would cause inequities. Such a measure may contain concessions likely to improve its acceptability. Thirdly, government can seek restraint through discussions with unions and employers. Naturally it can also follow some combination of these courses.

The first course can be effective but, whether it is or not, it is likely to have adverse side-effects on economic growth and unemployment. Experience of the second course suggests that there may indeed be a useful 'shock' effect but that after a short time anomalies lead to resentment and conflict, and people find ways round the controls, and if the measures are prolonged the flood of claims which is likely to follow their termination may well wash out the gains achieved. The third course, to which I shall return, may not always be practicable or effective but experience of it suggests that it has clear advantages compared with the other two.

But that is all general, what can we learn from looking at the experience of particular countries?¹² The first thing that strikes me is

12. For further consideration see *Socially Responsible Wage Policies and Inflation*, OECD, Paris, 1975; *Collective Bargaining and Government Policies*, OECD, Paris, 1979; *Collective Bargaining and Government Policies in Ten Member Countries*, OECD, Paris, 1979; and J. Addison, *Wages Policies and Collective Bargaining Developments in Finland, Ireland and Norway*, OECD, Paris, 1979.

that four countries, Austria, the Federal Republic of Germany, Japan and Switzerland have had a particularly successful experience. Economically, they are among the very best performers. All of them have preserved the tradition that government does not intervene in collective bargaining. Yet, there are few similarities in their collective bargaining procedures.

The United States has experienced problems from the inter-relationship of collective bargaining and government policies reaching back to the second world war. The most recent phase has been the "accord" of September 1979 between the Administration and the AFL-CIO under which guidelines for wage negotiators to take into account (currently 7½% to 9%) were put forward and a tripartite Pay Advisory Committee established. (There is also a Council on Wage and Price Stability.) In practice, wage increases have mainly kept within the guidelines (a process assisted by prevailing economic forces). From an industrial relations point of view, however, perhaps the most significant factors have been the decentralisation of American collective bargaining — largely conducted on an enterprise basis; the sheer size of the country; and the relatively low degree of unionisation; all factors assisting the operation of a more classical labour market than is found in most countries.

In France, though there has been no direct government intervention in wage negotiations in recent times, the consistent government policy pursued for more than four years now has sought to confine wage increases to those needed to maintain real income. Recent increases beyond this criterion have been modest. The factors at work in this case include heavy unemployment, a smaller coverage of collective bargaining than in most countries, and divisions and weaknesses on the part of the trade unions in a number of sectors.

Sweden is another country which has long maintained a clear separation between government and collective bargaining, though the close connection between unions and government over many years in the past cannot be overlooked, and the government was forced to intervene in negotiations in the course of the major stoppage of work in May 1980. The Swedish industrial relations system is not without strains but the sophistication of the bargainers and of the machinery they have created, and their willingness to innovate, are such that I do not expect any demise of the 'Swedish model'. So far as wage negotiations are concerned it seems likely that collective bargainers' independence of government will continue.

There is much of interest in Norwegian experience. Wage bargaining is centralised, very sophisticated and closely integrated with macro-economic policy-making. An Expert Committee provides an independent view of the economic situation and its possible development. The wage agreement normally follows discussions by a very high-level 'Contact Committee' which reviews the economy, the policy options open, and the scope for wage development. That said,

Norwegian wage fixing has not been without its set-backs. Prices and incomes were frozen in September 1978 and further national wage negotiations were postponed. However, a new national agreement was reached in April 1980 — containing, incidentally, an interesting provision giving a special supplement to low paid workers.

Denmark has one of the highest levels of centralisation of bargaining amongst OECD countries, with central agreements terminating at the end of March, every second year. But in recent years the parties have failed to reach agreement and the government has legislated a national settlement.

British experience is too familiar to you to need comment but it is worth referring to another country which has undergone significant change in its industrial relations, the Netherlands. From the war until 1963 the Dutch followed an unusual centralised national wage policy which established pay rates, on a job evaluation basis, which were at the same time maxima and minima. There was close concertation throughout between government, unions and employers. After 1963 market forces and changing attitudes broke down this system and in recent years wage determination has proved much less consensual. Wages were frozen from January until early April 1980, after which a new package, running until the end of the year, came into force, providing limited increases in wages and enterprise wage-bills together with tax concessions and new holiday arrangements.

Lastly, Italy has had a highly conflictual and changing industrial relations experience (it has long been at or near the top of the league table in OECD countries for proportionate time lost through strikes). Unions and employers are well established interlocutors of government on economic matters; the unions have been sufficiently powerful, for instance, to persuade the government not to cut out the 'scala mobile' — the arrangement whereby wages are adjusted by reference to the price index, and which many people regard as somewhat inflationary.

The Implications

This brief survey has indicated the wide range of experience of countries in determining wages in an inflationary environment and the complexity of the problems involved. At present the economic conditions and unemployment prevailing in many countries are significantly limiting the extent of improvements which collective bargainers can negotiate. There was some fear that the latest round of oil price rises, which, economically speaking, represents an external tax on the non-oil producing industrial countries, would pass through into wage increases, thereby adding to inflation, but again, in practice, economic conditions have inhibited such transmission in many countries. It is clear, however, that when economic growth improves and unemployment recedes — and these are major international policy objectives — the tendency for collective

bargaining outcomes to concern economic policy-makers will again be strengthened. In short, the problem I have been discussing is likely to prove a continuing one. What, then, are the implications of the experience I have described for industrial relations? To what extent is the experience of one country relevant to that of another?

Here I must voice what in comparative studies becomes a necessary ritual warning. Industrial relations institutions are deeply rooted in the historical, legal and cultural fabric of our societies. They therefore do not transplant easily and some not at all. But this is not to say that a country cannot make use of another country's experience: it is a matter of 'naturalising', i.e. making use of elements which fit easily and usefully into the existing framework.

This warning stated, clearly one lesson of experience is the importance of sound and stable monetary and fiscal policies but, the side-effects of restrictive measures apart, these are not in themselves likely to be sufficient to create an environment in which collective bargaining outcomes will necessarily be consistent with what governments consider to be national needs.

Statutory controls, though sometimes necessary, are best confined to particularly severe economic situations and limited to the short-term. They are, incidentally, likely to be the more effective if there is consultation between government and the parties before action is taken.

The main course remaining is that of establishing an agreement or understanding between government, unions and employers, with a view to ensuring restraint in bargaining — what we in OECD have called socially responsible collective bargaining. I am not saying that this is the right course for all countries at all times. If there is no appreciable conflict between bargaining outcomes and government policies, that is fine. If economic crisis threatens, drastic statutory intervention may be necessary. But, in between, where there is appreciable conflict between bargaining outcomes and economic policies but time to try to avoid statutory constraint, there would seem to be a rewarding place for the kind of national understanding of which I have spoken, and which, of course, you have developed in Ireland. As you have found, it is not easy, but it is worthwhile.

The question of what factors in industrial relations systems govern the propensity to produce inflationary collective bargaining outcomes is one to which the considerable experience of different countries provides no satisfactory answer. It does not appear to be excessive union power — there are countries with powerful unions which have few problems. It does not appear to be the extent or orderliness of union organisation. Though centralised bargaining structures have some advantages for facilitating national understandings there is no evidence that adoption of greater centralisation — even if practicable — is sufficient for success. The key certainly does not lie in the legal systems which underlie collective bargaining.



Going beyond the relations of unions and employers, what of the links between the bargaining parties and governments? Political links, particularly between unions and ruling parties, have proved important but even the closest relationships have not avoided conflict between bargaining outcomes and government economic policies. A second link is illustrated by the substantial growth of national consultative bodies since the war, dealing with economic and social matters. Such bodies vary considerably in structure and function, and somewhat in terms of success. They seem to be useful adjuncts in establishing a common data base and enhancing understanding of economic and social problems and options open to deal with them but they cannot of themselves bridge major difficulties between the parties.

My own review of country experience suggests that the institutional framework of collective bargaining, while not unimportant, is not nearly as significant as the spirit in which bargaining is conducted, that spirit depending heavily on cultural factors and most notably on the extent of consensus or conflict as to the goals of the society and the ways of achieving them. The four particularly successful countries I mentioned — Austria, Germany, Japan and Switzerland — all have a marked degree of consensus (which is not to imply that all Austrians, etc., think alike, but rather that they see value in subordinating their differences to their collective interests). On the other hand, Britain and Italy, where inflation and industrial conflict have been high, are societies where there is strong disagreement about economic and social goals and strategies.

I hope you will not think that this implies that the problem of reconciling the concerns of governments, unions and employers can only be overcome by turning oneself into a Japanese or a Swiss. But the importance of attitudes does suggest that the more that people can be encouraged to build on their common interests and to subordinate their sectional interests, the greater their chances of determining wages and working conditions in a satisfactory and non-inflationary way.

What could be done to transform present attitudes in the more polarised countries towards a more generally shared sense of common purpose, is beyond the scope of this lecture. But, at least, more attention could usefully be given to enlarging understanding of *why* some societies have such a consensual approach to the ordering of their industrial affairs, whereas deep, sometimes apparently unbridgeable divisions exist in others, and of the economic and social implications of such consensus and discord.