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# Approaches to industrial democracy

Geoffrey Ostergaard

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The ideal of industrial democracy is as old as the Labour Movement and has its roots in the conditions which gave rise to an organised socialist movement in the early 19<sup>th</sup> century. Of these conditions the most important was the destruction of the hitherto generally prevailing 'domestic system' of production, under which the worker owned his own tools, and its replacement by the factory system, under which the means of production were owned by others. A concomitant of this change was the widespread adoption of the wage system. The independent craftsman or peasant was transformed into the industrial proletarian who, in order to live, found himself compelled to sell his labour power to the owners of the new factories. Under this wage-system, capital employed labour, labour was treated as a commodity and, as part of his bargain with the capitalist, the wage worker surrendered all control over the organisation of production and all claim to the product of his labour.

The patent injustice of this system suggested to the first generation of socialists an obvious alternative. Instead of working for capitalists, the workers should work for themselves — not individ-

ually, as under the pre-industrial system, but collectively or, to use the then current phrase, 'in association'. They should pool their limited savings, invest them in the means of production, and institute a system of mutual self-employment. In this way, the workers would escape the wage system, together they would retain control of the product. Capital would be put in its proper place as the servant of labour; labour would employ capital, not capital, labour; and the worker would once more regain the dignity of being his own master instead of being treated as a marketable commodity.

This, in essence, was the first approach to industrial democracy — the co-operative approach. It is the approach favoured by none other than that doyen of mid-19<sup>th</sup> century bourgeois economists, John Stuart Mill. In a chapter of his famous *Principles of Political Economy* concerned with 'The Probable Futurity of the Labouring Classes', Mill predicted: "The form of association ... which if mankind continue to improve, must be expected in the end to predominate, is not that which can *exist* between a capitalist as chief, a workpeople without a voice in management, but the association of the labourers themselves on terms of equality, collectively owning the capital with which they carry on their operations, and working under managers elected and removable by themselves".

The history of the 19<sup>th</sup> century is studded with attempts by groups of workers to apply this approach to industrial democracy. Most of these attempts were unsuccessful, but not all. At the present time there exist in this country some forty or so worker co-operatives, mainly in the footwear, clothing and printing trades, which exemplify this original approach. These cooperative co-partnerships are of course, to be sharply distinguished from the more numerous retail and wholesale co-operatives which substitute democratic consumer for capitalist control but introduce no modifications in the wage system. Taken together the co-operative co-partnerships constitute an insignificant part of the national economy but they remain nevertheless the clearest

examples of a form of socialised production which goes beyond the wage system.

The limitations of the co-operative approach are obvious. One of the major obstacles to the extension of the co-operative system of production was the workers' lack of capital and it is no accident that the industries in which co-partnerships have become established are those requiring comparatively little capital and where labour *costs* constitute a large proportion of aggregate *costs*. More important, the whole approach was grounded on the assumption that co-operatives could peacefully compete the capitalists out of existence. The workers were to build up the new system inside the capitalist framework with the object of eventually superseding capitalism: they were to build up their own capital, not to take over anybody else's.

The questioning of this social pacifist assumption led to the development of a new approach to industrial democracy—that of the syndicalists. In essence, the syndicalist idea was simple. The workers had already developed protective organisations in the shape of trade unions to defend their interests vis-a-vis the capitalist employers: why should not these same organisations be used to supplant capitalism? Instead of merely fighting for better wages and conditions, the trade unions should, in addition, aim at winning control of industry. On this theory, the unions had a dual role to perform: first, to defend the interests of workers in existing society, and secondly, to constitute themselves the units of industrial administration in the coming socialist society.

It was this approach to industrial democracy which was adopted by the classical syndicalist movement in the decade before the First World War and by its successor, the guild socialist movement. There were some important differences between the two movements. Syndicalism was essentially a proletarian movement which pinned its faith on direct revolutionary industrial reaction culminating in the social general strike: guild socialism, in contrast, was largely a movement of bourgeois intellectuals which,

while supporting direct action, hoped to see workers' control introduced as a constitutional reform through the State. There was a further difference in their attitude to management. Broadly, the syndicalists regarded the managers as mere lackeys of the capitalist class and saw no problem in the workers, through their unions, taking over the functions of management. The guildsmen, on the other hand, were more conscious of the complexities of industrial administration; they saw the need for managers and insisted that the democratically organised industrial union, to be transformed into a guild when it became a unit of industrial organisation, should include technical and administrative workers — 'the salariat' — as well as the rank-and-file manual workers.

Both movements, however, shared the same central idea — industrial democracy through trade union control of industry — and both may be seen in part as a reaction against State Socialist doctrines whether adumbrated by the reformist Fabians and Labourites or by the revolutionary Marxists. Nationalisation by itself, both the syndicalists and guildsmen declared would make no essential difference to the status of the worker. Under bureaucratic State ownership the worker would remain alienated from the means of production. He would be working for the State and not a private capitalist, but he would still be a wage-worker and, as such, treated essentially as a commodity, a factor of production, rather than as a human being with inalienable rights. In short, State Socialism was only another name for State Capitalism.

During the period 1912–1925 guild socialism exerted a considerable influence on the Labour Party's nationalisation policy. Bureaucratic nationalisation on the model of the Post Office was discredited and industrial democracy as the necessary complement of political democracy became an axiom of Labour ideology. But instead of guild socialism being swallowed outright, a compromise was effected between the old and the new. The form this compromise first took is best seen in the Miners' Nationalisation proposals laid before the Sankey Commission of 1919. A quasi-independent

involve a radical change in existing trade union organisation and practices, but only a willingness to extend the range of collective bargaining. For as Clegg points out, "A collective contract is clearly a form of collective bargaining, so that areas of self-government can exist within a system of democracy by consent." The moral is obvious: all those who wish to go beyond the prevailing forms of 'democracy' in industry would do well to concentrate their attentions and activities in furthering the idea and practice of the collective contract.

occasion.

Later on, within each sub-group of 20, there developed a further system not of shift but of job rotation. Flexibility was provided within a basic pattern, and certain crucial jobs were shared amongst those best suited to them. This acceptance of responsibility for self-regulation of shift and job rotation has persisted throughout the life of this particular coal face — over two years at the present time.”

In discussing the implications of this experiment, Clegg raises the question whether the collective contract could be generally applied as a means to industrial democracy. He suggests that there may be limitations on its general applicability but his main conclusion is: “It is impossible to be certain how far the transfer of managerial functions to self-governing groups of workers could be taken in modern industrial societies, because that can only be discovered by empirical investigation, and no-one has yet tried to find out. There are considerable technical and social obstacles. In many areas of industry they will probably be prohibitive. My own guess, however, is that there is room for progress before these limits are reached”.

The conclusion is cautious as becomes a Fabian. My own guess is that it is too cautious. Seymour Melman’s recent study of worker decision-making at Standards<sup>3</sup> suggests that the system could be readily applied even in the most technologically advanced industries. The real obstacles are social not technical. Of these perhaps one of the most important is the conservatism of trade unions. This conservatism can be and must be overcome. In this connection, one great advantage of the collective contract approach to genuine industrial democracy over earlier approaches is that it does not

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<sup>3</sup> Decision-Making and Productivity, Blackwell, 1958. See also Colin Ward’s and Reg Wright’s discussions of this book in FREEDOM, June 18, 25, July 2, 23, 30, 1960, and the articles on the subject in this issue of ANARCHY.

form of administration was to be set up, under which the State and the Miners’ Federation would exercise ‘joint control’, the State appointing half and the Federation the other half, of members of management boards at all levels. This compromise was rejected by the syndicalists as a snare and a delusion but was accepted by the guildsmen and the miners as a step towards the establishment of a fully self-governing Mining Guild which would have complete control of the industry.

In retrospect it is now clear that the acceptance of this compromise was a fateful step for the protagonists of industrial democracy to take. It marked the beginning of a process of watering-down the concept of industrial democracy as hitherto understood and the development of a new approach — that of participation in management. In an effort to counteract the movement for workers’ control, ‘enlightened’ employers, spurred on by the Government, put forward the idea of joint consultation. The right of workers to be consulted on matters outside the scope of the traditional areas of collective bargaining — wages and conditions — was admitted, while at the same time management was clearly to remain in effective control. Joint consultation represents in effect a spurious concession by management in the name of democracy to ward off challenges to its prerogatives.

It was not to be expected that industrial democrats brought up in the guild socialist movement would accept this concession at its face value. But, having promoted the idea of ‘joint control’, they found it difficult to combat joint consultation except in terms of workers’ representation on management boards. Inevitably, the notion of workers control began to be associated with the idea of workers’ representation and, perhaps equally inevitably, once the guild movement had collapsed, the industrial democrats found themselves committed to the view that *any* representation of the workers was better than none. For the last generation, in fact, the main debate on industrial democracy within the British Labour Movement has been conducted in terms of joint consultation *ver-*

*sus* workers' representation. And in this debate the 'radicals' have steadily lost ground.

When in the early '30s the Labour Party adopted the Public Corporation as its chosen instrument for the nationalisation of basic industries, it was round the question of the composition of the governing boards that controversy centred. The unofficial leadership, with Morrison as its chief spokesman, came out for the non-representative board — the so-called corporate board of ability — appointed wholly by the Government; the right of the workers to participate in management was acknowledged but it was to take the form of joint consultation with the trade unions having no more than advisory powers. The critics opposed this and claimed 50% direct representation by the trade unions. The claim was rejected, so the critics reduced their claim and have been steadily reducing it ever since. Over the past 25 years the idea of workers' representation has been successively whittled away. If not half the seats on management boards, then less than half; if such members are not to be appointed by the trade unions, then at least nominated by the trade unions; if not nominated by the trade unions, then at least one trade union leader to be appointed by the Government. Until we reach the feeble demand, expressed frequently in the post-war years at Labour Party and Trade Union conferences, for 'more trade unionists', meaning by that, of course, 'more ex-trade unionists', on the boards.

The reason why the idea of workers' representation has met this fate is not wholly explained by the superior forces of managerial socialism ranged behind the Morrisonian concept of the public corporation. There are many within the Labour Movement who are deeply conscious of the inadequacies of the present set-up in nationalised industries and who feel that no amount of joint consultation will suffice to give the workers a genuine sense of democratic participation in the control of their working lives. But the industrial democrats in choosing to fight over the issue of workers' representation — or, more strictly, trade union representation

by contracts. In the long run, if the idea were fully developed, management might be reduced to the position of being just one other co-operative group within the larger enterprise, enjoying the same status as the others, but specialising in the functions involving control of the product, investment, control of raw materials (buying) and control of the finished produce (selling).

With this perspective, it is encouraging to learn that the collective contract is not merely an idea: it is already, in a small way, being practised in the Durham coalfield. A full report of this experiment is to be published in the forthcoming book by E. L. Trist and H. Murray, *Work Organisation at the Coal Face*. Meanwhile, Clegg's quotation from a paper by Trist must suffice as an outline description:

"In one coal-face unit recently studied by my colleagues and myself ... a team of 41 miners undertook the responsibility of providing for the manning of the works groups on each of three shifts of just under eight hours. As a group, they accepted complete responsibility for this in such a way that there would be sharing between group members of jobs with different degrees of satisfaction and difficulty. Since the group were on a single collection payment agreement no questions arose over differential rates of pay. In developing their systems of rotating members from shift to shift the initial interest of the group was to avoid the unfairness of a man being tied for a prolonged period — or even permanently — to an unpopular night or afternoon shift; they especially wished each to have an equal share of the 'good' day shift. Each man could also, when his turn came, have some choice with respect to which of the two unpopular shifts he would prefer on a particular

of the working group together in a common enterprise under their join' auspices and control, and emancipating them from an externally impose discipline in respect of their method of getting the work done".

Clegg's support for the collective contract idea is, perhaps, surprising in the light of his general position. He sees it, however, not as par of a strategy for winning complete control but rather as a way of satisfying in some measure the aspiration for industrial self-government without challenging management. Management, he asserts, is indispensable in modern industry but there may be areas of industry in which management is unnecessary. It is in such areas that the collective contract system becomes a possibility. This is a curious approach to the subject, since clearly a self-governing group working under a collective contract system does take upon itself some functions usually regarded as managerial, albeit those of 'lower' rather than of 'higher' management. Clegg's inability to see this is a consequence of his failure to analyse the functions of management. Had he done so, his assertion that 'management is necessarily separate from the workers' would have been revealed as either a tautology or simply an obscure way of stating that (higher) management in modern industry is a specialised and indispensable function — propositions from which nothing can be deduced about the impossibility of industrial democracy in the traditional sense. For the question is not whether management is necessary but who shall appoint the managers and to whom shall they be responsible. If there must be a hierarchy of authority in a complex industrial organisation, there is nothing in the nature of management which precludes it from being a democratically based hierarchy — as are the hierarchies in co- operative factories.

For the anarchist who objects to all hierarchies of authority, including democratic ones, the attraction of the collective contract idea lies in the possibility that it could lead to a breaking down of the hierarchical organisation of industry and its replacement by a system of mutually co-operating functional groups knit together

— have chosen badly. Intellectually, they have a weak case whose defects it has been only too easy to expose.

The case against trade union representation was most persuasively stated by Hugh Clegg in his *Industrial Democracy and Nationalisation*, 1951. To argue that the trade unions should appoint representatives to serve on management boards is to assert in effect, that the unions should be both *in* the government of industry and, at the same time, *outside* it. If the unions are to remain partly outside, as the system of joint control envisages, it must be because they have a function to perform: to defend their members' interests vis-a-vis those of management. But how can they perform this latter role effectively if, at the same time, they are partly responsible, through their representatives, for managerial decisions? The two roles — defending the workers' interests and participating in managerial decisions — inevitably conflict. The trade union representatives on boards would be faced with an insoluble conflict of loyalties. The trade unions, therefore, Clegg concluded, must firmly avoid accepting any responsibility for managerial decisions; the role cast for them is that of being the permanent opposition in industry. Industrial democracy, as well as political democracy, depends for its existence on an active opposition which is able to prevent the arbitrary exercise of power by the government — in this case, the management. At the same time joint consultation is to be encouraged by a means of improving relations between the government and the governed, but it must remain consultation: any attempt to go beyond it, to give the workers a share in executive responsibility, will simply result in the dilemma of a conflict of roles for the workers' representatives.

The plausibility of Clegg's arguments was undeniable. Both the Labour Party and the TUC have accepted them and repeated them in recent declarations of policy such as *Public Enterprise*, 1957. We may, apparently, hope and work for improved forms of joint consultation but the two side of industry — employer and employed, management and labour — are to remain as a

permanent and inescapable feature of industrial organisation. Until eternity, it seems, the destined role of the trade unions is to oppose management in the interests of the employees, while at the same time supporting, wherever possible, co-operation between management and labour in the shape of joint consultation.

There is, it must be admitted, something ironic in the situation the industrial democrats find themselves in. It was the syndicalists and guildsmen who raised aloft the banner of industrial freedom and denounced the slavery inherent in the wage system. But it is their opponents who have stolen this particular piece of thunder. It is now the critics of workers' representation who present themselves as the defenders of industrial freedom. In stressing the opposition role of the unions, they can claim that they are preserving the rights of the workers vis-a-vis management, which the advocates of representation are in danger of conceding in return for a dubious share in control.

In this unhappy situation the appearance of another book by Hugh Clegg with the promising title, *A New Approach to Industrial Democracy*,<sup>1</sup> encourages expectations. Perhaps here we might find a review of the earlier approaches, a systematic analysis of their deficiencies, and an attempt to explore a new path towards the realisation of the old ideal. Alas, these expectations are largely unfulfilled. With one significant exception, this 'new approach' leaves us very much where we are. The bulk of the book may be put alongside other socialist revisionist literature of recent years, all tending to demonstrate that what we have now is almost (but not quite) the best of all possible worlds.

Clegg's essay had its origin in a conference organised in 1958 by the Congress for Cultural Freedom on the subject of Workers' Participation in Management. Clegg draws upon the material presented in papers by representatives from fifteen countries and part of his book, consequently, provides a useful introduction to post-

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<sup>1</sup> Blackwell, Oxford, 1960, 18s. 6d.

ical system we find in industry is, on the contrary, one in which the government (the management) is permanently in office, is self-recruiting, and is not accountable to anyone, except formally to the shareholders (or the State). At the same time, the vast majority of those who are required to obey this permanent government have not citizenship status at all, no right to vote for the leaders who form the government. The only rights that the masses have in this system are the right to form pressure groups (trade unions) seeking to influence the government and the right to withhold their co-operation (the right to strike). Such a political system might be called pluralistic; it is not totalitarian; and, if the pressure groups are effective, the powers of the government will be limited. But it no more deserves to be called democracy, old style or new style, than does the oligarchical political system of 18<sup>th</sup> century Britain.

One is forced to conclude that Clegg has obscured not illumined the concept of industrial democracy. The one big redeeming feature of the book, however, is his somewhat grudging espousal of the idea of the collective contract. This idea, put forward by the syndicalists and guildsmen as part of a policy of encroaching control, championed for decades by the French writer Hyacinthe Dubreuil<sup>2</sup>, was recently revived by the late G. D. H. Cole in his *The Case for Industrial Partnership*. 1957. In essence, the collective contract system involves the division of the large work group into a number of smaller groups each of which can undertake a definite identifiable task. Then, instead of each worker being paid individually, each group enters into a collective contract with the management. In return for a lump sum sufficient to cover at least the minimum trade union rate for each individual, the group would undertake to perform a specified amount of work, with the group itself allocating the various tasks among its members and arranging conditions to suit its own convenience. Such an arrangement as Cole correctly argued, would have the effect of "linking the members

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<sup>2</sup> See his *A Chance for Everybody*, 1939.



The weakness of Clegg's whole position is most clearly seen in his discussion of the third element of his theory — the irrelevance of public ownership to industrial democracy. Its irrelevance is, of course, a simple consequence of the theory of democracy he adopts. If all that industrial democracy means is a system of collective bargaining in which the trade unions act as influential pressure groups, opposing management in the interests of their members, then clearly ownership is irrelevant. One is as likely to get it in private as in public enterprise. This principle of Clegg's, which ties in so neatly with current revisionism, is a curious perversion of the argument of the older industrial democrats. The latter argued, correctly, that public ownership in itself would make no essential difference to the workers' status. At the best, it would simply involve a change of masters; at the worst, it would result in a more tyrannical master, since the State would be a more powerful boss than any private capitalist. From this, they concluded that the workers must become their own masters. They did *not* conclude that ownership was irrelevant but only that it was not a *sufficient* condition of industrial democracy. The abrogation of the rights of private capitalists still remained a *necessary* condition, in so far as ownership carried with it the right to control.

The validity of Clegg's theory depends upon his conception of democracy. Even if we accept that Western political systems are properly to be described as democratic, it is doubtful whether the 'essence' of these systems lies in the existence of opposition. Their essence, if anything, lies in their maintenance of a system whereby, through elections, the mass of citizens can turn out of office one set of political leaders and put in another. Opposition only comes into the picture as a consequence of free competition among the political elite who are out to win sufficient votes to put their 'team' into office. And even then the system would not be described as democratic unless the mass of citizens had equal political rights, symbolised by the right to vote. Modern industry, with its machinery of collective bargaining, provides *no* parallel to this. The polit-

war developments in this field in places like Germany, Yugoslavia and Israel. The rest consists of a not very satisfactory historical review of the idea of industrial democracy, in which the co-operative approach is wholly ignored, and the elaboration of a theory of industrial democracy, the principles of which, he asserts, have been gradually revealed in the behaviour of trade unions in Western democracies over the last thirty years.

The originality of Clegg's contribution to discussions of industrial democracy consists largely in this application to industry of recent developments in the theory of democracy. As formulated by 18<sup>th</sup> and 19<sup>th</sup> century radicals, democracy was seen as essentially a system of self-government, a mechanism by which the people themselves, either directly or indirectly, through representatives, made the decisions they had to obey. This classical theory, in its representative form, placed emphasis on the importance of elections and on majority decisions which were to be taken as the practical expression of 'the will of the people'. The theory rested on individualistic and rationalistic assumptions and made no provision for groups in the political process.

Partly as a consequence of the questioning of its individualistic and rationalistic assumptions in the light of increased psychological and sociological knowledge and, more especially, as a result of the rise of mass dictatorships in the 20<sup>th</sup> century using representative elections as plebiscites to justify their claims to express the will of the people, theorists in recent decades have rejected as inadequate the notion of democracy as self-government. In any large-scale organisation, they have pointed out, self-government is no more than a myth: the important decisions are inevitably taken by the few, not by the many. Wanting above all to distinguish Western political systems from the bastard 'true democracies' of Fascism or the 'people's democracies' of the Soviet bloc, some of them have seized upon the existence of legitimate opposition as the key concept of democracy. More recently, to this has been added the notion of a free play of independent pressure groups all

seeking to influence government decisions and taken as a whole, providing a neat balance of social forces in which individual rights and liberty are maintained. Organised party opposition and pressure groups ensure, it is claimed that the few who do, and must, take decisions will not act arbitrarily: hence the system can justly be called *responsible* democracy.

Using this kind of intellectual apparatus, Clegg argues, in effect, that the older industrial democrats were pursuing an impossible ideal: industrial self-government. However, if we abandon the notion that democracy means self-government and realise that 'the essence of democracy is opposition', then industrial democracy becomes a live possibility. And, what is more, when we look at industrial organisation in Western countries, we find that we have *already* achieved industrial democracy! "In all the stable democracies there is a system of industrial relations which can fairly be called the industrial parallel of political democracy. It promotes the interests and protects the rights of workers and industry by means of collective bargaining between employers and managers on the one hand and, on the other, trade unions independent of government and management. This could be called a system of industrial democracy by consent, or pressure group industrial democracy, or democracy through collective bargaining."

Starting from this new conception of democracy it is not surprising to find that the three main elements in Clegg's theory of industrial democracy are: (i) that trade unions must be independent both of the state and of management, (ii) that only the unions can represent the industrial interests of workers, and (iii) that the ownership of industry is irrelevant to industrial democracy.

As a result of his survey of foreign experience, Clegg is prepared to qualify a little the first two principles. The German system of 'Co-determination' in which the workers elect one-third of the members of the Supervisory (not Management) Boards of firms and in which Works Councils have the right to exercise 'co-determination' over a wide range of matters, such as times of start-

ing and finishing, training schemes, payment by results and hiring and firing, has not, apparently, undermined the position and influence of the trade unions. Nor, it seems, does the Histadrut, the Israeli trade union federation which is that country's largest industrial concern, find itself in an impossible position because it is both a management and a trade union body. This suggests that British trade unions could adopt a much less narrowly restricted view about their need for independence from management than they have done in the past. Independence from government is another matter.

Clegg is clearly sceptical about the large claims made for the Yugoslav system of 'workers' control'. The Workers' Councils there may be less dominated by the Communists than is sometimes supposed but the latter's influence is pervasive. In Clegg's judgment, the Yugoslav trade unions lack sufficient independence to be considered adequate instruments for defending the interests of the workers. Despite their break with Moscow, the Yugoslavs have not abandoned the Marxist assumption that in a 'workers' state' there can never be any difference of interests between the workers and the government.

Although German and Israeli experience suggest that the trade unions generally could, without danger, adopt a more positive role towards participation in management Clegg doubts whether in practice German and Israeli workers have more influence in industrial decision-making than British or U. S. A. workers. Co-determination is more appropriately seen as a way of extending the pressure group influence of the workers when they lack a strong trade union movement. The whole tenor of Clegg's argument, in fact, is against the idea of 'participation in management'. In this respect, he has shifted away from the position he took up in 1951. He is no longer an enthusiast for joint consultation as a method of achieving industrial democracy. Joint consultation has not fulfilled the hopes of its protagonists: it is no more than 'an occasionally useful adjunct to existing practices'.