Industrial Democracy

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Industrial Democracy

From Representative Codetermination to Direct Participation

For many, discussions of industrial or economic democracy today have little more than historical interest. This may be due to the quaint-sounding slant of the terminology. The latest developments in the area of employee involvement, however (and their reflection in organizational sociology), have brought these themes back to the agenda—even though other, sometimes trendy catchwords may be bandied about. The social circumstances within which the debate takes place have also changed.

On terminology

Although they are related, “industrial democracy” and “economic democracy” convey different meanings. The same may be said of “codetermination,” “participation,” and “employee involvement.” In terms of scope, industrial democracy and economic democracy are the more far-reaching categories. In German usage, the term “economic democracy” has a venerable tradition reaching back to the Weimar Republic; in English, the term “industrial democracy” has even earlier roots, going back to the Webbs. They understood it as covering collective bargaining and democracy within trade unions. In London from 1912 to 1913, Karl Korsch borrowed the term from the (reformist) Fabian socialists and gave it a more comprehensive meaning. According to Korsch, industrial democracy covers both workplace codetermination and autonomous collective bargaining, and ultimately codetermination of economy and society.

In a narrower sense, “industrial democracy” is, especially in English, used as equivalent to involvement, participation, or codetermination at a single workplace or business. Conversely, the term “economic democracy” at first conjures up overarching codetermination on the level of a given industry or the entire economy, but in its classical conception, as articulated by Naptali, it also covers business and workplace institutions and processes of involvement and participation, even if they are subordinated.

In a more recent contribution, Michael Poole differentiated six subcategories of industrial democracy:

1. Workers’ self-management;
2. Producer cooperatives;
3. Codetermination;
4. Works councils;
5. Trade union action (collective bargaining);

(Poole removes employees’ financial involvement in the company from this classification altogether, and subsumes it under the concept of economic democracy).

In capitalist market economies, one can primarily observe the last four forms of industrial democracy in various combinations. They rest partly on legal foundations and partly on collectively bargained agreements. Two additional forms of industrial democ-
racy are missing from Poole's overview, however: overarching economic codetermination (such as the economic and social councils that were set up for particular industries under the Weimar Republic—for example, the Reichskohlenrat ["imperial coal council"]—and are still advocated today in the DGB's programmatic platform); and corporative representation through trade-union participation in bodies governing work management, professional and trade associations, social insurance plans, and the like.

Industrial democracy as representative democracy

Although the Webbs placed direct democracy at the start of their history of the English unions, historically industrial democracy became an effective force within the workers' movement primarily as an idea of representative democracy. Even at an early stage, the need for unity of action in recurrent confrontations with a more powerful opponent placed narrow limits on direct member involvement in the development of consensus and decision processes within trade unions. According to the Webbs, effective union management could be achieved only through representation.

Quite beyond internal trade-union organization, the principle of industrial democracy implies replacement of unilateral regulations with bilateral regulations—meaning participation and codetermination by worker representatives in negotiating and implementing (substantial and procedural) regulations governing relations of work and employment. With the establishment of contractual labor agreements and the introduction of workplace interest representation, workers gained a means for codetermination in conditions of work and compensation through representative bodies (unions and works councils).

In Germany, delegated codetermination is practiced in two different arenas, embodied in autonomous collective bargaining and the works constitution. This dual system of interest representation is fully grounded in the principle of delegation. Trade unions and works councils both express demands on behalf of their members or the personnel, respectively, but they are able to do so rather independently of agreement from below. As a representative organ of the entire personnel, the works council is not bound by orders from its electorate but is committed to functions set by law, including a duty to consider the business's interests. It is bound to its constituents only through elections held at four-year intervals. Admittedly, it must maintain accountability, and employees may demand explanations from their works council at quarterly plant conferences, but they cannot vote it out. Trade unions, according to the "theory of civil associations" formulated by Hugo Sinzheimer, the "father of German labor law," are "private legislators" of objective legal standards for labor relations. Neither a pure pressure group nor a mere bargaining agent for its members, a trade union acts as a "representative contractual subject" standing in for the entire labor force, with its claims to validity of standards set in labor agreements also covering those "who did not explicitly desire those standards."7

The dependent employees can generally assert some influence on the interest policy pursued by their representatives through their options of exit or voice.8 They can leave the union or abstain from the works council election (exit), or express their ideas and interests directly through discussion and criticism within trade-union base organizations, or at the quarterly works council meeting, or in personal discussions with works council members (voice).

Participation—The need for direct involvement

If we are not misreading the signs, codetermination is currently experiencing a new developmental thrust. At modern enterprises in industrial production and the service sector, the usual forms of representative codetermination are being supplemented, and to a degree relativized, through forms of direct worker involvement. This development is neither thorough nor seamless but is progressing at a remarkable rate.

The genesis of the representative forms of industrial democracy can be interpreted as an expression of social antagonism between capital and labor, as a hard-won institutionalized power
of veto against wage dictates and factory despotism formerly practiced by the buyer and beneficiary of dependent labor. But the current forms of direct participation signal a more strongly consensual relationship between management and personnel. Its essence lies not in distributive bargaining but in cooperative problem solving.

The participation offers are forwarded by management and associated with widespread tendencies toward dissolution of the Taylorist-Fordist production model which favor flatter hierarchies and self-regulating organizational units. Many motifs and ideas (e.g., "new production concepts," "human-resource management") have become the themes of this paradigmatic transformation in labor and production policy since the middle of the 1980s, egged on by the discussion about lean production and lean management following German publication of the MIT study in 1991. When management 'goes to the base' with offers of involvement tending to concede greater leeway for self-regulation and responsibility among ‘nonmanagers,’ it expands its base of legitimacy with an eye toward securing competitiveness and anchoring managerial ways of seeing and acting at lower levels of the hierarchy. The establishment and introduction of quality circles and group work exemplify this intention and contribute, as far as can be currently observed, to an increase in economic, organizational, and social efficiency. The growing importance of procedures and forms of direct participation within the movement toward organizational restructuring also places the system of representative workplace codetermination under pressure to change.

Extension of codetermination downwards to shopfloor and office employees was demanded by trade unionists and associated academics long ago in debates during the 1970s about "humanization of work," but without great success. If direct participation nowadays is mostly the result of management initiatives, this is thanks to the new respect that "human resources" enjoy from management. Since these have now become the mainstays of corporate modernization and rationalization, trade unions and works councils at first reacted with skepticism, and resisted various forms of "human-resource management." Meanwhile, they, too, have attained the insight that direct participation bespeaks an important workers’ interest. The goal now is to connect it with the representative system.

Participation research sees the addition of direct involvement models to representative (and external) sources of codetermination as an evolutionary consequence of interest and association politics. Analogous to the discussion about changing values, participation researchers also point to a shift in priorities of interest and need. Following satisfaction of the workers’ material and other interests requiring protection through forms of representative codetermination, the priority of interests in autonomy, initiative, and communication now rises. These interests can only be satisfied through direct participation. Trade unions also pay homage to this change in priorities, shifting weight in their policies from matters of interest protection to those of work organization, which in turn requires more active inclusion of employees.

Quality circles and group work

The two most important forms taken by participative management strategies are quality circles and group work. Quality circles (also called “learning shop,” “shopfloor circles,” or “learning and proposal groups”) are an organizational form introduced horizontally and parallel to regular work organization, referred to as “problem-solving” groups or “discontinuous forms of group work.” By comparison, team or group work integrates involvement directly into work activity, signifying an organization for continuous execution of work tasks.

A quality circle is normally a small group with six to twelve participants, all engaged in the same or similar areas of work, meeting at regular intervals on work time to discuss workplace and work-process problems under the direction of a moderator, and to work out possible solutions. "The slogan 'Turn the affected into the involved' expresses the intention of intensifying communication, motivation, and cooperation through direct in-
volvement in work optimization, and thus increasing responsibility for work product."

Partly autonomous work groups embody a reversal of Taylorist dismantling of work, reintegrating work tasks formerly assigned to indirect and planning departments (work preparation, maintenance, quality control, etc.). To some extent, the group and its members take over the functions of work management. The most important current testing ground for group work is in automobile manufacturing, which has always been the sector most completely stamped by Taylorist-Fordist ideas of production (according to an IG Metall survey, the proportion of industry personnel organized in group work in 1993 was about 10 percent). Since the costly consequences of dividing execution from planning under Taylorist work regimes hit the books hard and the limits of technically oriented rationalization became obvious, more recent rationalization strategies have focused on human resources. New potential for productivity rises is seen in active involvement offers and substitution of direct control practices through the "responsible autonomy" of employees.

Codetermination and organization

The phenomena that participation research attempts to convey by terms such as participation, workplace codetermination, and workplace democracy find their conceptual corollaries in organization research in terms such as dehierarchicalization, decentralization, and self-regulation of organizations. Since the 1970s, organization theory has been in the midst of a "productive crisis" pointing toward a change in its object of study. The dominant conceptions until then, grounded in contingency and systems theory, viewed organizations as purposeful, rationally planned systems with objective and durable structures, or as self-referential and operatively closed systems. These conceptions are increasingly giving way to an understanding of organizations as more natural, loosely coupled, and open systems, definable both as collectives and as places of practical social action by various and conflicting groups. The transformations in the object of study include reincorporation of the subject and of politics into the idea of organization.

Although few organizational analyses are as rigorous as systems theory in defining the person as an environment, it has at least taken into account the fact that workers are not only bearers of labor power (certainly with qualifications capable of development and human needs that might require attention), but members of democratic societies as well, from which they derive a set of civil, political, and social rights. Even under the regime of Fordist-Taylorist production concepts, employees could not be fitted into the production process as seamlessly as a machine part, as some industrial-sociology treatments on the "real subsumption of labor under capital" would have us believe. And this was in large part thanks to their political and civil rights, especially the right of freedom of assembly and the right to strike. At the same time, under conditions of material want and high-jobmarket risks, workers' readiness to perform was purchased almost exclusively through compensation mechanisms and the threat of redundancy, whereas today this can no longer be expected of a large number of employees in the relatively protected segments of the job market. Rising standards of living, permissive education, and expanded educational opportunity have raised expectations about company leadership styles and the content of work.

Rehumanization and repoliticization

More recent organizational theories take all this into account insofar as they plead for a rehumanization of organizational research. In allowing more leeway for the design of social relations, the corresponding concepts of "organizational development" see enhanced opportunities for individual and organizational learning processes that make economic and social efficiency more compatible. In their criticism of purely purpose-oriented models, they understand organizations, especially work organizations, as associations of concrete individuals who do not leave their social
existence at the factory gates and act only as inhabitants of roles. The fashionable talk about “organizational culture” can be serious—when the behavioral and cognitive patterns arising from social interactions, typical work processes, and conflict solutions of all “organization members” are manifested therein.

The metaphor of the organization as a (micro-)political system is also gaining ground. It treats workplace organizations as social orders negotiated by persons, groups, and coalitions with differing (implicit and explicit) interests and power resources. Ideas of negotiation centered on politics and actors (described variously as “negotiation of order,” “strategic organization analyses,” “micropolitics,” or “labor politics”) are especially useful in examining the current conflict around the introduction of new forms of work organization and direct participation.

From recent studies, we know that the above-described structural transformations in organizations collide with opposition and static interests from those groups that (necessarily) are afraid of losing areas of competence and functions. This includes groups within lower and middle management (e.g., shopfloor supervisors), but works councils also perceive a threat to their institutionalized influence. New conflicts and rival networks are arising that cut across the old chasm between management and shop floor. Groups in lower management might forge a stalling coalition with the works council against upper management, or management groups might align themselves with the works council to overcome resistance from staff and lower line managers. Works councils also sometimes take on the role of promoting the introduction of involvement models. 17

The logical consequence suggested by the latest developments is that organization and participation research must strike common paths in the future. Organization theory must stop devaluing cooperation and participation under the mere catchall category of informality and recognize that these are necessary structural characteristics of organizations. Codetermination research, on the other hand, would be well advised to stop looking at participation exclusively as a matter of worker interests requiring protection, but also as an instrument for solving grave organizational problems (productivity, effectiveness).

Future of industrial democracy

The core idea of industrial democracy is codetermination, representative as well as direct. Its future need not be doubted. For, in contrast to ideas such as socialism and communal economy, codetermination is among the few ideas that have not been discredited; it is, more than ever, bound to the idea of democracy. With mounting general skepticism about large “apparati” and bureaucratic organizations, the semantic content of codetermination has shifted. Today the element of direct involvement has greater weight relative to delegated involvement. The consequence for trade unions is that direct involvement should no longer receive high priority only in catalogs of demands but should actually become an integral part of union organization and practice. The bureaucratic/centralist orientation that arose from the confrontation with a stronger opponent must give way to a “participative trade union.” 19 Works councils must also redefine their role. Their future lies in the interest management of plural employee interests, and in mediation between work groups and various levels or functional centers within management.

For all the skepticism about whether organizations and institutions can really learn, the optimistic observation obtains: In their uncertainty about current sociostructural and economic turbulence, the collective actors—businesses, works councils, and unions—are increasingly examining organizational and participative knowledge, and reflexively applying it to themselves.

Notes


14. Ibid., p. 44.


18. *Focus* magazine posed the following question in a survey three years ago: "Which ideals or ideologies will people find more attractive by the end of this millennium?" "Codetermination" (Mitbestimmung) was in third place (following "personal freedom" and "Europe") and was chosen by 33 percent of western and 34 percent of eastern Germans surveyed (*Focus*, 32: 9 [August 1993]; 33: 16 [August 1993]).