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PRODUCTIVITY BARGAINING AND WORKERS' CONTROL

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Introduction

These notes aim only to summarise some of the recent trends which are apparent in the field of productivity bargaining. There is now a substantial body of experience in the trade union movement of this technique of neo-capitalist management, and a revealing literature which has been inspired by it, (notably some publications of the Prices and Incomes Board and the Royal Commission) all of which require more detailed documentary treatment. It is hoped that the workers' control campaign and its publications will produce further work on the subject, in the form of practical guide-lines for workers who are confronted with the problems of productivity bargaining. This service is urgently needed: as the workers accumulate experience and awareness of the snares and traps of productivity bargaining, these should be disseminated widely in the movement. Our aim should be nothing less than a coherent and co-ordinated counter-strategy to the techniques of management and the state, which through the Prices and Incomes Board and the Ministry of Labour, and with the aid of some academics who work for the Royal Commission, is hard at work providing a guide-line service for the employers. Most of what these bodies have published on productivity bargaining takes the form of instructions, hints, or do-it-yourself handbooks, addressed directly to managements. A coherent plan runs through their publications. It is to use productivity bargaining to destroy workers' controls on the shop-floor, to limit or reduce wage-costs in the interests of higher profitability, and to establish greater managerial authority over the use of labour. This statement may be easily verified by readers who care to study:—

1) *Productivity Agreements,* Report No. 36 of the Prices and Incomes Board, Cmnd. 3311, June 1967.

and 2) *Research Papers, No. 4*
on a) Productivity Bargaining
and b) Restrictive Labour Practices.
published by the Royal Commission on Trade Unions and Employers' Associations. H.M.S.O. 1967.

For the moment, the following points require the urgent attention of the trade unions.

a) The Effect of Productivity Bargaining on Wages

There is no final evidence that productivity bargaining improves the relative position of workers affected by them, nor any proof that the standards of life of the working class as a whole will benefit from its adoption. Whilst productivity in manufacturing industry rose by 5·9 per cent last year, average weekly earnings rose by only 5·3 per cent. During the same period, prices rose by 2·5 per cent. Price increases are being deliberately allowed to rise, whilst wage control in many forms (including productivity bargains) is being tightened. No concrete evidence could be found by the Prices and Incomes Board (Report No. 36) that productivity bargains had led to price reductions, or even stability. Some workers obtain big wage increases from productivity bargains, whilst others directly involved, have experienced wage *cuts* from such deals. This can have disastrous effects in dividing workers against one another, as in the case of the Power Loading Agreement in the mining industry. In defending some wage increases under productivity bargaining, the Prices and Incomes Board Report and the Royal Commission paper point to savings in the total wages *bill* which follows from economies in labour use. They also argue that productivity bargaining reduces the demand for labour and hence the pressure for general wage increases. Furthermore, it is often found that whilst wage *rates* may be increased by a productivity bargain, the loss of overtime or bonus payments which are often eliminated, will leave *earnings* relatively unchanged. In the famous Fawley Oil Refinery case, the Esso Company reassured the Royal Commission about the "dangers" that productivity bargaining would stimulate wage claims. The company carried out a survey of eight industries in the (Southampton) region of the Fawley Refinery, four years after their productivity deal. They found that the oil industry had the second highest hourly rates of pay, but its total earnings in relation to hours worked were the lowest of the eight, and its total earnings were sixth out of the eight! In British Rail's new Grading Agreement, (an elaborate industry-level productivity bargain) the total increase in the wage bill is to be a mere three-and-a-half per cent. In the maximum case, an increase of 29/- for some lower grades is offered, whilst for signalmen at present on £17-11-0 no wage increase at all is forthcoming.

The Prices and Incomes Board delights particularly to point out that, in many cases, higher wages paid under a productivity bargain *would have had to be paid anyway,* as a "conventional" wage increase because of the market or bargaining situation of the industry or plant concerned. The management gains from productivity bargaining, in other words, were partly obtained with extra labour costs which were already discounted.

Trade unions and shop stewards must be more vigilant about this basic aspect of productivity bargaining. They should calculate expected conventional wage gains first and demand that those be paid as pre-requisite for commencing a productivity bargain. They should constantly examine the effects of lost overtime and bonus, and insist upon money being involved in the negotiations *at every stage.* (A favourite device of mangement is to defer the wage offer part of the bargain *until after* agreement has been reached on a wide range of labour practice changes. At that point, it becomes a matter of "take-it-or-leave-it". A feeling that they have 'sold cheap' is common amongst workers after the completion of a deal).

In a climate of nil norm and restrictive legislation, trade unions have sometimes assumed that they could get round the wage freeze by productivity bargaining. "We went in for it because this was the only way to get an increase", is a typical kind of remark from trade union officials and shop stewards. One may have some sympathy with this view, and certainly in some cases the workers themselves, seeing apparent gains made in a neighbouring factory, have sometimes pressed officials into productivity bargaining. But the evidence suggests that the wage gains through productivity bargaining are often illusory, extremely moderate, partial, and temporary and are often made at the expense of fellow-workers. The longer-term effect of a productivity bargain may well (as at Fawley) lead to a relative *decline* of the wage level, as managerial control is permanently strengthened, and local shop steward initiative is weakened by the institutional changes built in to the agreement. (See below).

It looks as though the attempt, by trade unions, to get round the incomes policy by exploiting its productivity clauses, will prove to have been a failure, and that a response based on a more thorough-going critique of the basic concepts of that policy must be produced.

b) Effects on Employment

Unemployment, in January 1968, was 30·8 per cent higher than in January 1967. We have noted that in the same period, manufacturing productivity rose by 5·9 per cent. Productivity bargaining was being pursued throughout this time. Of course the overall cause of rising unemployment has been government economic policy, and is not directly attributed to the effects of productivity bargaining. However, there is no doubt whatsoever that one of the basic aims of such bargains is to economise in labour usage, and that the result in almost all cases is to restrict the demand for labour in the local and regional markets affected by particular deals. Some productivity bargains contain a "no redundancy" clause, and it is obviously one minimum safeguard which unions should insist upon. (It is not always done however: the British Rail flexible grading scheme will make 8,500 railwaymen redundant, in addition to the 12,000 who are to lose jobs because of rail closures this year.) A "no redundancy" clause, however, may disguise the fact that job opportunities are being *reduced*. Whilst the sectional interests of workers on the site are apparently protected, the effect is to worsen the local unemployment situation. This, in its turn, eventually weakens the bargaining power of the workers directly involved in the deal. The "no redundancy" clause itself may therefore be vulnerable; militant action *in defence of an agreement* is rendered less effective if the local dole queue is a long one. Workers and their union representatives must develop a strategy which takes into account the whole local and regional labour market. A "no redundancy" clause at plant level is not enough. Estimates should be made of the *loss of job opportunities* entailed in any employer's productivity or "flexibility" proposals, and demands must be made for guaranteed *additional* employment in the locality or region, *before* the deal is negotiated. This brings into view the whole question of trade union pressure (through Trades Councils, shop steward committees, etc.) upon the present government's regional unemployment policies.

We have argued above that over-enthusiastic trade union response to productivity deals should be tempered, in the light of their dubious effects upon wages. The same conclusion can be drawn from an examination of their effects upon employment.

c) Effects upon Workers' Control

A general recognition of the great potential danger to trade union and shop steward authority, which is implicit in all productivity bargaining, has recently been forthcoming from the leaderships of the two largest trade unions. Hugh Scanlon makes the point in his *New Left Review* intervew. (*N.L.R.*, No. 46, Nov-Dec. 1967, pages 8-9)

> " . . . All my life I've attributed most of the ills of the engineering industry to an iniquitous piece-work system. Yet the moment anyone wants to do away with it, we fight with all the vigour we can command to retain it, and correctly so. Because with piece-work you have the man on the shop-floor determining how much effort they will give for a given amount of money. In other words there is a mutually agreed contract between operators and management's representatives. Now, with the introduction of new ideas like measured day work, you have a fixed wage and the only question is — how much work you will do for that fixed wage. This is a developing phenomenon which is meeting with resentment . . . I would resist to the utmost . . . a scheme that does not contain the fact of mutuality within it. For what is important . . . is that once the piecework bargain is struck, the worker can work at the speed he chooses."

Writing in the T.&G.W.U. Journal *The Record,* in January 1968, that union's Education Secretary, Tony Corfield, discusses the switch of management initiative from piece-work and incentive systems, (developed in the forties and fifties) to measured day work systems. He adds:

> " . . . it is essential that our shop stewards appreciate what they are giving up when management propose going over to fixed day wages. The loss may not be in earning capacity. The change may involve a loss of workshop participation and control over the payments system."

The shop stewards at B.M.C. have demonstrated their own clear understanding of the significance of measured day work. (See *New Deal or New Fetters?* published by the Oxford Liason Committee for the Defence of Trade Unions, 1967).

In their pamphlet on measured day work at B.M.C., the stewards show the contrast between gains made by workers under piece-work systems, (as at B.M.C. in the past) and day wage methods (as at Fords and Vauxhall) and they comment:

> "It is the strength of our shop stewards backed by our readiness to take militant action that has won us our present wage levels. Much of the power of shop stewards comes from their negotiations over piece rates and lieu rates. By doing away with these negotiations the B.M.C. bosses hope to be able to break our factory union organisation.
> Once we lose control over wage rates the bosses hope they can determine the line speed and the labour loading, i.e. the number of men engaged on a particular job. At Vauxhalls the line is constantly being speeded up as a result of measured day work and there is a higher degree of labour mobility within the factory. Workers, including stewards, are constantly being pushed around from one job to another. This way they hope to isolate potential 'trouble-makers' and prevent us getting together with our mates and doing something about it."

Measured Day Work is one of the important devices often incorporated in a productivity bargain, along with flexibility of labour, abolition or curtailment of overtime, etc., which have the effect of weakening shop stewards' controls and sanctions on the job. As Scanlon says, piece rates involve "the principle of mutuality" —they are *bargaining* for with the union or stewards in an independent position. Management is increasingly alive to the chance of seizing *unilateral* control over jobs, speeds, and conditions of work, in their drive to eliminate the *contractual* element in local bargaining. Consider for example, the following clause in Priestman's (Engineering) Ltd., deal, signed with the A.E.U. and N.U.G.M.W. in 1967.

"Measured Day Work

The Management will set times or 'norms' on all jobs, where possible, at which an average man working at average speed should complete a task. A man whose times are consistently in excess of the norm time by 10% or more will be investigated to find out:—

(a) is the norm correct.
(b) has he a personal problem
(c) is the job suitable for him.
(d) is he not making the necessary effort.

A man who consistently completes his task in less than the norm by 10% or more) will be regarded as having increased productivity and will be considered for up-grading or promotion when a vacancy arises. It is in the spirit of this agreement that, with the removal of individual incentive payments, men who have the ability to beat the norm for a job will continue to do so as any falling off of effort will jeopardize the future productivity bonus."

This at least has the negative merit of being such a direct assault upon workers' controls, that it is easily recognisable as such, and the appropriate moral drawn from it. A more subtle undermining of the steward's position takes the form of an attempt to incorporate them in management activity. Some productivity deals have taken up to a year to negotiate, with management-steward meetings occuring several times a week, interspersed with week-end conferences in club-like surroundings. Most stewards are acutely aware of the nature of the persuasion to which they are subjected, but some must undoubtedly be swayed by the whole solemn aura of the process, and become totally absorbed in the pure *process* of rationalisation, ending up with a high degree of commitment to the "*success*" of the scheme on which they have lavished so much time and care. In these circumstances, it is not surprising to learn that the Royal Commission is contemplating a series of recommendations to raise the status of shop stewards, and to increase the number of full-time convenors, jointly paid by unions and management, and carefully trained in the correct procedures and attitudes. Nor is it surprising to learn that in some firms, a new 'unofficial' shop steward system has emerged, as the process of incorporation has reached such proportions that the stewards are finally separated from their constituents' interests. (We should note that the Prices and Incomes Board found that whilst union officials were almost all favourable to productivity bargaining, the response of shop stewards was more often critical.)

Another variant on this development is the management offer of a permanent 'pay and productivity committee' to police the agreement after it has been signed. Now obviously the *follow-up* to a productivity bargain is most important for the workers, for upon it can depend whether management achieves *in practice* the restoration of managerial control which it has striven to establish on paper. The interpretation of agreements has traditionally been an area of *bargaining,* supported in the last resort by the industrial action which unions may take, or which unofficial pressure may demand. But in some recent cases, management's version of the 'productivity committee' has been that it should be *advisory,* confining itself to making "recommendations" about the application of the deal. Clearly, to accept such a position would entail a major set-back in the whole post-war development of workers' controls on the shop floor.

The demand, which has been often expressed in recent literature, for the opening of the books as a union condition for productivity bargaining, has reached a great number of shop stewards, and is present in a partial form in the official programme of some unions, as well as in the Labour Party Report on Industrial Democracy. (June 1967, price 1/6). However, there is as yet little understanding of how this demand should be used in practice, and some managements have successfully anticipated it by offering to the stewards their own edited versions of the secrets of their company. The limited and highly dubious value of such offers is clear from such incidents as the aircraft companies' fiddling of the books in government contracts. It is also obvious from the evasive and utterly incomplete review of the "Net Gains" made by companies through productivity bargains, which is offered by the Royal Commission paper, and by the Prices and Incomes Board (Report No. 36, pages 16-24). It is not unlikely that the Prices and Incomes Board knows more about this than it is prepared to publish; in that same report it recommends that management should be discreetly selective about the commercial secrets revealed to unions in productivity bargainnig. (See Coates and Topham on the Labour Party Report on Industrial Democracy). Academic resarchers into industry, leave alone government bodies and trade unions, are familiar with the problem of being granted access to company accounts *only* on condition that they respect the confidences thus obtained.

The response of shop stewards to this situation must be one of total scepticism in the face of management's figures, and a pursuit of the subject through to the very vitals of the financial system. It must include an insistence that trade union accountants be given unlimited access to company records on depreciation and reserves, which must be checked against the direct eye-witness knowledge of the stewards. It must include the preservation of the full rights of stewards to report back all their findings, without restraint or commitment to company secrecy. If necessary, the bargaining must be suspended or terminated in the absence of satisfactory access to company secrets.

Conclusion.

These considerations can never be finally resolved at the local, plant level. What is required is a ground-swell of demands, aimed at placing the employers and the state on the defensive in this matter and raising the political question of *accountability* to the centre of our campaign. (See Michael Barratt-Brown's paper 'Open the books'.) In this way we shall expose the basic purpose of productivity bargaining which is, from the point of view of the state and the employers, to reduce labour costs and to maintain or increase the level of profit. For a trade union movement whose long term aspirations include an assault on the gross inequities in income distribution between work and property, such a purpose cannot command its support or acquiescence, particularly if, as these notes have argued, the process also involves the undermining of basic trade union bargaining power and independence. At a time when trade union leadership, impelled by the dissatisfaction of its members, is timorously withdrawing from consensus relations at the national level, it must not seek a new and equally false haven by encouraging consensus at the plant level.

The shop stewards for their part, must base their resistance to consensus on a coherent strategy which, starting with plant level demands for accountability, reaches out to challenge the widest aspects of managerial and state controls. They might begin, to cite just a few instances, by demanding explanations of the following company statements to the Royal Commission (pages 36-37 of Research Paper No. 4).

1. **Dunlop Rubber** "accurate measurement of net saving in the cost of the product should provide the basis of the bargain. Unless a productivity bargain yields a true saving in the FULL product cost there is no advantage to the enterprise." (no other details given.)

2. **Esso** " . . . is satisfied that the agreements it has been able to reach so far were well work making in financial terms." (No other details given.)

3. **Mobil Oil:** their distribution agreement "will mean more efficient and less costly operation . . ." (No other details given.)

4. **Petrochemicals:** ". . . we are unable to give details of our calculations on the savings we hope to make as a result of adopting flexible working at Carrington . . . In a capital-intensive industry whose products have suffered constant erosion on price as the result of national and international competition we would not have committed ourselves to our present course if we were not

satisfied that it would represent a continuum of the containment improvement in net manufacturing costs from which we have benefited since the early part of 1963." (No other details given.)

5. **Steel Company of Wales:** ". . . a productivity bargain in which, through better use of resources, everybody gains, is psychologically very good for management. The sense of incurring a loss is avoided; on the contrary not only its profitability but also its control of operations will have been improved." (No other details given.)

After all that, we can perhaps agree with the laconic conclusion of the Royal Commission paper itself. "It is unfortunate that more precise figures are not available."

The advanced sections of British management, assisted by the state, have now acquired considerable expertise in productivity bargaining. Typically, managers now take considerable time and care in the preparation of a deal. Before they ever invite the participation of shop stewards and unions, they have spent perhaps months in behind-the-scenes discussion amongst themselves, fixing their goals, planning their strategy, re-organising the "management team". In the process, they have acquired a new ambition, a new philosophy of managerial control. As a result, the stewards and unions start the bargaining in an inferior position, unprepared, and on the defensive. Even the best and most militant unionists are at a disadvantage in this situation. By giving attention to some of the points outlined in these notes, the worst consequences may be mitigated, and there are doubtless numerous other counter-strategies which have been developed and which remain to be uncovered and disseminated in the movement. But the workers remain in a position of defence, faced with a bargain which is fundamentally about managerial control.

A major breakthrough could be achieved if the advanced sectors of the shop stewards movement took a leaf out of the tactical book of management, and *reversed the whole process.* Instead of a productivity bargain, why not a "control bargain"? The first stages would be conducted by the stewards and unions themselves, in a particular firm or plant or industry. Detailed discussion and careful preparations would be conducted, setting the goals and the minimum demands. What aspects of workers' control do we want to advance, what areas of managerial authority do we wish to challenge and acquire for the workers, what reductions in top executive salaries do we seek and what restrictions on information do we wish to challenge? What wage structure and overall wage increase will we settle for? What research into the firm's profits, structure, monopoly links, and alliance with the state, is needed?

After the goals are settled — a process which must involve a thoroughly democratic debate for the whole trade union membership in the firm or industry — the demands should be presented. The initiative rests now with the workers. Their demands must be explained and disseminated throughout the labour movement; they are utterly reasonable, for they begin from a premise of *equality of status* between the contending sides of industry. They aim to achieve, however, a dominance for the *majority* in industry; the workers by hand and by brain. (Attention should be given to the role of the white-collar workers, particularly the draughtsmen and technicians, not only because these are organised in militant unions, but because they normally have access to specialised knowledge of a firm's affairs.) The bargain then proceeds, until or unless the proposals are rejected by the representatives of the employers — i.e. the representatives of the small, wealthy minority in our society which "owns" the firm or industry.

Imagine such a bargain. Imagine what happens if the workers' proposals are rejected. Assuming a real industrial democracy, with complete equality with management, what would the workers do? What do the employers' representatives do in today's circumstances? If the trade union refuses to meet them on their productivity proposals, management responds by predicting and threatening redundancies and dismisals, or reduced wages.

If the shoe was on the other foot, how many redundancies amongst directors would the workers decide upon? How, indeed, could workers continue to maintain production in the face of such stubborn refusal to co-operate on their proposals?

It all sounds very fanciful. But this, brothers, is how management and the state normally behaves towards you, in *their* industrial democracy".

Summary

1, Productivity bargaining is not a universial substitute for a challenge to wage restraint. Gains in wage rates are often offset by loss of overtime and bonus earnings. Initiative over *future* wage increases may be lost to the stewards and unions.

2. In the absence of full employment and an expanding labour market, productivity bargaining indirectly adds to the unemployment problem, by limiting or reducing future demand for labour.

3. The aim of productivity bargaining, in the eyes of the state and employers, is to achieve wage control and higher profitability by undermining workers' controls at the plant level. Amongst the techniques used are measured day work, and the incorporation

of the shop steward system into elaborate patterns of negotiation and co-operation.

4. The details of company gains from productivity bargaining are deliberately withheld from the stewards, the unions, and official enquiries.

5. A satisfactory trade union response to these findings requires:—

a) a higher *monetary* price on productivity deals
b) safeguards against the fall in demands for labour
c) the defence and advance of worker controls at plant level
d) the co-ordination of these positions into a total strategy which can enforce accountability upon industry and the state
e) the process of productivity bargaining should be stood on its head, and the initiative for a 'control bargain' seized by the workers.

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