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## Promoting Workplace Participation:

### Lessons from Germany and France\*\*

*Recent surveys of workplace participation in the United States point to an ostensible paradox. Despite evidence that actively involving workers in shop-level decision-making can lead to significant and long-lasting improvements in productivity, only a small fraction of US companies have seen fit to confer meaningful participatory rights on their workers. This outcome may expose a systematic bias of the market against firms adopting participatory work organization, and a number of observers have argued in favor of external mandating of workplace participation on the grounds of market failure. Based on the comparative experience of Germany and France with mandated participation, I argue an equally important matter is how the wider industrial relations environment and the strategic choices of unions and employers impact on the effectiveness of legislation.*

*Aktuelle Untersuchungen zur Partizipation am Arbeitsplatz in the Vereinigten Staaten weisen auf eine scheinbare Paradoxie hin. Obwohl es offensichtlich ist, daß die aktive Beteiligung von Arbeitern an unternehmerischen Entscheidungsprozessen zu bedeutenden und langanhaltenden Verbesserungen in der Produktivität führen kann, hat sich nur eine geringe Anzahl von US Firmen als fähig erwiesen, bedeutungsvolle Beteiligungsrechte auf ihre Arbeiter zu übertragen. Dieses Ergebnis mag ein systematisches Vorurteil des Marktes gegen Firmen darstellen, die eine partizipatorische Arbeitsorganisation annehmen, und eine Reihe von Beobachtern hat sich zugunsten einer externen Verwaltung von Partizipation am Arbeitsplatz aufgrund eines Marktversagens ausgesprochen. Basierend auf der komparativen Erfahrung von Deutschland und Frankreich mit Mandatspartizipation, argumentiere ich, daß es gleichermaßen wichtige Frage ist, welche Auswirkung die weitere Umgebung der industriellen Beziehungen und die strategischen Wahlmöglichkeiten der Gewerkschaften und Arbeitgeber auf die Effektivität der Gesetzgebung haben.*

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The profuse literature in the United States on worker participation in company decision-making is not difficult to account for.<sup>1</sup> There is a widespread perception that American companies are responding to the competitive challenge of Japanese and European manufacturers by experimenting with profound changes in the way they administer work. In a reversal of historical tendencies towards increased hierarchy and centralized control, American firms are trying out more decentralized systems of administration in which workers actively participate in decision-making.

A number of studies have attempted to measure the effects of workplace participation on enterprise productivity. In a recent review of the US literature, Levine and Tyson (1990) concluded that although participation usually leads to small short-run positive effects, it sometimes leads to long-lasting significant improvements in productivity. This latter outcome is more likely to be the case when participation takes the form of decentralizing decision-making rights to workers in their daily production activities on the shopfloor,<sup>2</sup> and when the firm's system of industrial relations increases workers' confidence that they will share in the gains from participation and that they will not be penalized for their participation. The key characteristics of such an industrial relations environment are: combining participation with some system of profit-sharing or gain-sharing; providing workers with job security to increase their time horizons; assuring individual rights in the form of due process dismissal procedures; and compressed wage differentials to encourage group cohesiveness and a sense of community.<sup>3</sup>

Despite the evidence of potential productivity gains from participation, it is clear from the results of surveys and from the case study literature that only a small fraction of US firms that have introduced substantial forms of workplace participation in the sense of Levine and Tyson. The survey evidence, which for the most part is limited to larger firms (over 1000 employees), indicates that well over 50 per cent of American firms have introduced at least one employee involvement practice somewhere in the firm.<sup>4</sup> Only a few firms, however, involve more than a small

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<sup>1</sup> For a recent and fairly comprehensive survey, see Levine and Tyson (1990).

<sup>2</sup> Also see the review of the literature by Eaton and Voos (1992), which concludes that self-directed teams are more likely to have long-lasting positive effects on productivity than quality circles, operating parallel to the work process, or purely financial based incentive schemes such as employee stock ownership. This potential benefits of decentralized participation is supported by evidence of Womak et al. (1990) on the superior productivity in the auto industry of the "lean" production model which decentralizes decision-making to work groups at the shop level to assure quick responses to unanticipated changes in demand and to draw on their "local" knowledge to improve the firm's capacity for product and process innovation.

<sup>3</sup> Levine and Tyson (1990, pp. 205-15). In support of this latter feature, the authors' cite empirical studies indicating a tendency of Japanese firms to pay relatively egalitarian wages compared to their less participatory US counterparts. See Vogel (1979) and Ouchi (1981).

<sup>4</sup> For an overview of the survey evidence, see Appelbaum and Batt (1994, Appendix A). The response rates to these surveys are typically under 50 per cent and the estimates of the

percentage of their workers in such practices. The Lawler, Mahrman and Ledford 1990 survey of the practices of Fortune 1000 firms, for example, showed that while 66 per cent of all firms operated quality circles, in 70 per cent of these cases less than 20 per cent of the workforce was involved in the practice. Similarly, while 47 per cent of all firms operated self-managed teams, in 90 per cent of these cases less than 20 per cent of the workforce was involved in team methods.

A recent overview by Appelbaum and Batt (1994, pp. 69-97) of some 160 case studies of work reorganization undertaken by American firms, for the most part in the 1970s and 1980s, confirms that in the large majority of cases modest changes have been introduced, affecting a small proportion of their workforce.<sup>5</sup> Their overview also points to the non-uniform nature of the reforms instituted across firms, and to the tendency of most firms to introduce particular innovations, such as quality circles, team organization or a new compensation method, separately rather than as part of an integrated program of reform.<sup>6</sup> A review of the case study evidence also makes clear that a certain caution is needed in interpreting the survey evidence for the simple reason that the concept of team organization is used in some firms to refer to purely consultative arrangements, such as quality circles operating parallel to the work process, and in other firms to refer to increased decision-making autonomy of workers in their daily production activities (Appelbaum and Batt, 1994, pp. 69-73).

The limited diffusion of substantial forms worker participation in the legally voluntarist environment of the United States, despite the evidence that such changes can improve enterprise productivity, has led a number of observers to conclude that instituting effective workplace participation requires legislative intervention (Freeman and Lazear 1992; Freeman and Rodgers, 1992; Levine and Tyson, 1990; Turner, 1994). This conclusion has been bolstered by reference to the comparatively participatory nature of work relations in German manufacturing plants, where workers' rights to consultation and co-decision are protected by the Works Constitution Acts of 1952 and 1972. The German system of mandated works councils is increasingly being presented as a model for workplace reform in the US (Soskice, 1991; Turner, 1992; Weaver and Allen, 1992).

Comparatively little attention has been paid in the English language literature to the less successful efforts of the French government to mandate direct forms of participation at the shop level through the 1982 Auroux Laws.<sup>7</sup> Survey and case study

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percentage of firms introducing employee involvement practices are likely to be upward biased since those firms undertaking significant changes are more likely to respond.

<sup>5</sup> Their assessment is based mainly on a series of case studies undertaken by the American Productivity and Quality Center in Houston and by the US Department of Labor's Bureau of Labor-Management Relations.

<sup>6</sup> Notable exceptions to this latter tendency include: Xerox, GM's Saturn plant and Corning. See Appelbaum and Batt (1994, pp. 135-45).

<sup>7</sup> For a notable exception, see Marsden (1994)

evidence support an emerging consensus in the French literature that this legislation has had disappointingly little impact on how labor is managed in French firms.<sup>8</sup>

Based on the comparative experience of Germany and France with mandated participation, I argue below that more is at stake in the debate around legislative intervention than the question of whether employers, if left to their own devices, will confer meaningful participatory rights on their employees. An equally important issue is the impact of the strategic choices of unions and employers on the effectiveness of such legislation. In an attempt to persuade the reader of this point, I shall begin by presenting some plausible arguments in support of the view that employers will not voluntarily introduce forms of participation that confer substantial decision-making authority on their employees. I then turn to an analysis of selective aspects of the French and German experience with legislating workplace participation.

### **Arguments For and Against Legislative Intervention**

The most commonly-heard argument against the need for legislative intervention is that if workplace participation significantly improves enterprise productivity, then competitive market forces will assure its progressive diffusion through-out the economy. Those firms adopting such reforms will prosper, while those firms failing to do so will pay the price in the form of lower earnings and ultimate closure.

Against this faith in the efficacy of market forces, Levine and Tyson (1990, pp. 215-219) have proposed a number of reasons why the market may be systematically biased against firms adopting participatory work organization. Their argument revolves around the distinction between two alternative strategies employers may adopt to motivate their workers: a "participatory" strategy based on job security, individual rights and compressed wage differentials; and a "hierarchical" strategy based on the threat of dismissal and large wage and status differentials. Although the outcome where all firms use the participatory strategy is collectively superior to the outcome where all firms use the hierarchical strategy, the emergence and survival of the participatory firm may nevertheless be prejudiced by product market and labor market conditions.

At the level of the product market, the hierarchical firm responds to conditions of recession by laying-off workers to reduce costs while the participatory firm's commitment to long-term employment relations means that it will have to bear the costs of hoarding excess labor during periods of low aggregate demand. Since the use of layoffs will have a negative feedback effect on the macro-economy through the lower consumer expenditures of the unemployed, recessions will tend to be longer and deeper than in the case where all firms are of the participatory type and practice job security. The increased costs of hoarding excess labor which the participatory

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<sup>8</sup> For an overview of this literature, see Tchobanian (1992, pp. 104-115) A 1992 Ministry of Labor sponsored survey based on a representative sample of 3000 firms with 50 or more employees indicated that only 29 per cent were operating workers' direct expression groups as called for in the legislation (DARES, Ministère du Travail, 1994, p. 3).

firm endures in an economy composed overwhelmingly of hierarchical companies will encourage it to abandon its commitment to employment security and adopt the hierarchical norm (Levine and Tyson, 1990, pp. 214-15).

At the level of the labor market, the hierarchical firm's use of steep wage differentials tied to individual effort may allow it to poach the participatory firm's most productive workers, whose earnings are constrained by the participatory strategy of relatively compressed wage differentials. Further, the participatory firm may face a problem of adverse selection in the form of attracting the least motivated workers in the local labor market, who are attracted by the participatory firm's group-based compensation schemes and the protection against possible discharge afforded by its due process dismissal procedures (Levine and Tyson, 1990, pp. 215-219).

While the analysis of Levine and Tyson offers some plausible reasons why employers, left to their own devices, may under-invest in superior work organization based on decentralized decision-making, it would nevertheless be hasty to conclude that legislation offers a ready solution to this failure of the market.<sup>9</sup> Legislation faces two formidable problems. First, in so far as we accept the view that participation is more likely to have a long-lasting positive impact on enterprise performance if it entails a decentralization of decision-making rights to the shop level, the problem of finding the language to spell out the rights and obligations of labor and management would seem to be insurmountable for reasons of complexity and uncertainty. Decentralized participation takes forms that are highly specific to individual plants and work groups, and its effectiveness depends, amongst other things, upon workers making quick autonomous responses to what Aoki (1988, pp. 32-43) calls "local shocks", such as unanticipated machine breakdowns or absenteeism. It is difficult to see how any piece of legislation might hope to spell out obligations in this area in any but the most general terms.

Second, there is the equally formidable problem of enforcement. The promise of decentralized participation is that the firm's capacity for process and product innovation will be enhanced through workers sharing their proprietary information with management. But, as Levine and Tyson (1990, pp. 205-11) have observed, workers are unlikely to commit themselves to this process unless they are reasonably confident that they will receive a just share in the gains from participation and will not be penalized for their participation. It is difficult to see how the state might hope efficaciously to enforce obligations in this area, since in general it lacks the information to adjudicate disputes between labor and management over the value of workers' participation.

The strongest rejoinder to this critique, in my opinion, is one that accepts the basic point that legislation cannot hope to be especially detailed or prescriptive as regards decentralized participation. Rather than arguing the virtues of more precise language or steeper penalties to enforce compliance, a more convincing comeback is that legislation can promote decentralized participation by vesting in a representative

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<sup>9</sup> For further arguments in favor of external mandating of works councils, see Smith (1991).

plant-level works council or local union the right to negotiate agreements with management for the introduction of participation at the shop level.<sup>10</sup>

Such a procedure arguably responds to the problems raised above. First, while the state in general lacks the sort of detailed local information required to negotiate agreements that take into account the particularities of individual plants and workshops, elected representatives of a works council or local union representatives are likely to have this information. Second, a local union or works council, through its privileged access to workers involved in participatory practices, is in a position to monitor compliance with the requirements of local participation. This implies that legislation should provide for a plant-level due process procedure whereby a works council or local union can represent workers who feel their rights have been abused under the terms of the agreement for shop-level participation.

In the US, some empirical support for the view that collective representatives of the workforce may support decentralized participation comes from recent surveys, carried out by Eaton and Voos (1992) and by Kelly and Harrison (1992), comparing union and non-union manufacturing facilities. Their studies indicate that decentralized participation is more likely to be long-lasting and to take substantial forms such as team work when it is negotiated and monitored by a joint union-management committee.

From an internationally comparative perspective, probably the strongest empirical support for the view that collective workers' representation may support decentralized participation comes from recent studies of work reorganization in the German auto industry.<sup>11</sup> Turner and Auer (1994), in their comparative study of the German and US auto industries, have described how from the mid-1980s works councils negotiated the introduction of group work in German auto plants.<sup>12</sup> IG Metall, the national German metal-workers union, has played an active role in this process, promoting the introduction of its group work concepts through its members which dominate plant-level works councils in the auto industry.<sup>13</sup> The result, according to Turner, is that the range of outcomes is relatively narrow in comparison to the US auto industry, where the initiative for decentralized work organization has

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<sup>10</sup> This argument has been articulated by Eaton and Voos (1992) and by Streeck (1994).

<sup>11</sup> It is worth noting that there is little evidence for Germany to support the view that instituting collective worker representation alone has a significant positive effect on enterprise productivity. For a discussion of the empirical literature, see Addison et al. (1994).

<sup>12</sup> Also see Turner (1991 and 1992).

<sup>13</sup> Some of the elements of IG Metall's conception of group work correspond closely to the industrial relations system features which Levine and Tyson argue promote effective participation. These include: 1) equal pay for all group members; 2) equal opportunity for all including special training where necessary; 3) representation of group interests within the established plant system of interest representation; 4) a joint steering committee with equal labor and management representatives to oversee the operation of the groups. See Turner and Auer (1994, p. 48).

come from management and where the local union response has ranged from cooperation to opposition.<sup>14</sup>

The negotiated introduction of group work in the German auto industry supports the view that legislation can indirectly promote shop-level participation through the agency of the works council. The ability of the works council fulfill this function and to promote a particular conception of decentralized participation has been dependent on the active support of the external union, IG Metall, which has provided information and training to works councilors, increasing their competency in matters of group work. Clearly, as a number of observers have pointed out,<sup>15</sup> in the German metal-working sector underlying the legal fiction of a separation of the rights and obligations of works councils and unions is the reality of their mutual support and close connection.

Given the extent to which union policy can impact on the capabilities and choices of the works council, one can scarcely afford to avoid posing the question: What are the likely outcomes when the works council lacks the external support of a strong participation-minded union or is dominated by union members who are opposed to the basic project of workplace participation? Will the works council's ability to contribute to an increase in the size of the enterprise surplus be undermined by conflicts over its distribution? This latter possibility is the subject of an interesting analysis of works councils by Freeman and Lazear (forthcoming) which I turn to in the following section.

### **Works Councils and Distributional Conflict**

Freeman and Lazear's (forthcoming) analysis of the productivity effects of works councils turns on the distinction between what is socially optimal and what serves to optimize labor's and management's respective shares of the enterprise surplus or quasi-rents.<sup>16</sup> While granting workers co-decision rights through a works council tends to increase the size of the enterprise surplus, it also shifts the distribution of that surplus in favor of workers. According to Freeman and Lazear, conferring the amount of power on the works council that maximizes the joint surplus has a proportionately larger negative impact on management's share of the joint surplus, and for this reason management will eschew works councils or grant them a less than socially optimal amount of decision-making power. Workers, on the other hand, seek a more than socially optimal amount of decision making authority for the works council, since the redistribution on the surplus in their favor that results from

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<sup>14</sup> For further evidence and discussion of the active role of IG Metall in the process of work reorganization in the German auto industry, see Jansen and Kissler (1994); Rehfeldt (1991); and Streeck (1987).

<sup>15</sup> See notably Streeck (1984), Thelen (1991) and Wever (1994).

<sup>16</sup> Quasi-rents are defined as the difference between the value of firm output and the opportunity costs of producing that output or, in other words, the surplus available for distribution among employees and shareholders.

this increase in works council power will more than offset the negative effect on their incomes due to a decline in the total surplus available for distribution.

The analysis of Freeman and Lazear can be criticized for their failure to justify the assumption that the distribution of quasi-rents is tied in such a precisely determinant manner to the amount of decision-making power conferred on the works council.<sup>17</sup> For the purposes of this paper, though, the importance of their argument is that it justifies our intuition that distributional conflict may interfere with the ability of the works council to fulfill its assigned role in fostering participation.

The basic response to this problem in the US literature is that legislation should as much as possible restrict the determination of pay and other elements of compensation to the collective bargaining process outside the enterprise, and in this manner disconnect the factors which determine the size of the enterprise surplus from the factors that determine its distribution between labor and management. In practice, as Freeman and Lazear (forthcoming) readily admit, completely separating these factors is not likely to be feasible. Consider the case of German works councils. Although they are legally prohibited from going on strike, by strategically using their powers of co-determination to withhold their agreement on key issues of manpower planning they are in a position to pressure management into increasing workers' share of the enterprise surplus. It is well known that the practice of works councils signing plant-level wage agreements providing for upward wage flexibility over rates negotiated at the regional level is widespread, despite the fact that the 1952 and 1972 Works Constitution Acts expressly prohibit the works council from negotiating agreements on subjects regulated by collective bargaining.<sup>18</sup>

One cannot realistically hope to dissociate entirely decision-making power in the firm from the power to determine who receives profits, and if labor (through the union and works council) and employers succeed in Germany in jointly promoting the forms of decentralized participation that increase the size of the enterprise pie, this occurs because each side believes they stand to gain from such shop-level cooperation. But such beliefs can hardly be divorced from the wider industrial relations environment in Germany and from the mutual trust that has been built-up between unions and employers over the post-World War II years through the union's regular participation in enterprise manpower planning via its position in the works

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<sup>17</sup> A paradoxical feature of their account is that while there is a possible outcome in which participation is socially beneficial and generates positive benefits for all, labor and management are unable to achieve this outcome. Yet presumably, as implied by the Coase theorem, workers would have an incentive to bind themselves to respecting an ex-post distribution of the enterprise surplus that would leave management at least as well off as they were prior to the introduction of the work council, if that were the condition for having any participation at all.

<sup>18</sup> See, for example, Mathöffer (1994). According to Thelen (1991, p. 82) the difference between regionally negotiated rates and actual wages in the metal-working sector averaged 22.5 per cent during the 1950s and 1960s.

council, and through the usual practice of collective bargaining between unions and employers outside the firm.

I will provide some evidence on the post-World War II development of German industrial relations to back-up this claim. But first it will be illuminating to take a brief detour and consider the comparatively unsuccessful French efforts to legislatively mandate decentralized participation under the terms of the 1982 Auroux Laws. The French experience constitutes an exemplar case of how the strategic choices of unions and employers can derail well-minded legislation for participation.<sup>19</sup>

### **The Lessons of the Auroux Laws**

The Auroux Law of 4 August 1982 called for employers and local union representatives (or works councilors in the absence of a local union) in firms with 200 or more employees to negotiate agreements for the creation of worker expression groups which would allow workers to express directly to management suggestions over a range of topics, including working conditions and the introduction of new technology. Legislation in 1986 extended the coverage of the law to firms with 50 or more employees (Bulletin Social Frances Lefebvre, April 1993). The legislation corresponds to the kind of scenario identified in the US literature as favoring effective worker participation. The French state acted to mandate decentralized participation through the intermediary of the local union or works council, rather than aspiring to directly determine the conditions of shop-level participation.

It is important to point out, since there is often ignorance on this matter, that the law of 4 August was accompanied by two others that aimed to directly and indirectly strengthen the position of trade unions at the enterprise level. The law of 13 November 1982 required employers and union delegates to engage in annual negotiations on wages and working time in firms with more than 50 employees, while the law of 28 October 1982 strengthened the economic and technical related information and consultation rights of works councilors, the large majority of whom were affiliated to a union.<sup>20</sup> Key new consultation rights in the economic area include the right to the services of an outside accountant whenever the employer proposes to make collective layoffs, and the right to hire the services of an outside technical

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<sup>19</sup> The following discussion of the Auroux Laws is based on Lorenz (1994).

<sup>20</sup> Unlike the 1952 Works Constitution Act in Germany, the 1947 French legislation instituting works councils explicitly envisaged this close relation by giving the unions a "monopoly" on the presentation of lists of candidates on the first round of voting for works council representatives. In 1981-82, approximately 80 per cent of elected works councilors in France were union affiliated. The decline in this percentage to about 74 per cent in 1989-90 can be explained in large measure by the decline in the percentage of firms where the unions present lists of candidates, rather than by an increase in the expressed preference for non-union candidates in firms where employees are offered a choice. See Labbé (1992, pp. 52-54).

expert whenever the employer plans to introduce new technology.<sup>21</sup> The Auroux Laws not only conferred new responsibilities on the unions, the legislation also aimed to strengthen the organizational resources of the unions at the plant level so that they could effectively fulfill their new obligations.

Between 1982 and 1984, some 4000 agreements were signed concerning approximately 2,500,000 employees, and by 1990, following the extension of the law's coverage, agreements had been signed in 25,434 plants, or about 50 per cent of those covered by the law, and concerned some 4 million employees.<sup>22</sup> A 1990 Ministry of Labor survey estimated, however, that groups were active in only about 25 per cent of the plants covered by the law, while a 1993 survey based on a representative sample of 3000 firms estimated that expression groups were active in about 29 per cent of firms (*Liaisons Sociales*, April, 1993, pp. 1-10; DARES, *Ministère du Travail*, April 1994).

In addition to achieving only a partial diffusion of decentralized forms of participation, most assessments point to some serious problems with the nature of the agreements and the way the groups have operated. First, the majority of the agreements are restricted to specifying procedures for setting up groups, including their composition, how the leader is to be selected and the number of hours of discussion per year. They offer little or no guidance on what the content of group discussion should be. Second, surveys and case study evidence on the operation of expression groups show that in most cases they have served as forums for workers to pose questions to or make demands on management, mainly in the area of working conditions such as safety and the pace of work. In general they have not functioned as a devices for drawing on workers' knowledge and creative ideas on how to improve productivity (Coiffineau, 1993; *Liaison Sociales*, April, 1993; Tchobanian, 1992, pp. 108-12).<sup>23</sup>

This outcome can be explained in part by the expressed opposition of the principal employers' peak associations to the legislation, who feared that the expression groups would be used by the unions to advance their sectional interests at

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<sup>21</sup> The hiring of outside accountants is paid for directly by the employer and, in the case of firms with over 300 employees, the hiring of outside technical experts is also paid for directly by the employer under the terms of a contract negotiated with the works council. In the case of firms with less than 300 employees, these latter expenses are to be met from the works council's general budget for economic activities equal to 0.2 per cent of the firm's gross wage bill. The evidence available indicates that a small percentage of works council's make use of their consultation rights on the introduction of new technology experts. See Cam (1990), Harff and Henriet (1988, p. 167) and Le Maitre and Tchobanian (1992).

<sup>22</sup> An absence of a trade union delegate present explains about 58 per cent of the cases where no agreement was signed while a failure to agree accounts for some 13 per cent.

<sup>23</sup> Coiffineau (1993) points out that their impact on working conditions has been minor because of a general lack of follow-up on group questions or suggestions which has contributed to a growing apathy and cynicism on the part of workers.

the plant level.<sup>24</sup> The Union des Industries Métallurgiques et Minières (UIMM), the peak association of employers in the metal-working industries, actively encouraged employers to set up quality circle arrangements operating along side and in direct competition with the expression groups.<sup>25</sup> A recent French Ministry of Labor sponsored survey of a representative sample of 3000 firms with over 50 employees has estimated that 23 per cent were operating quality circles in 1990, roughly the same percentage as were operating direct expression groups (DARES, Ministère du Travail, 1994, p. 3).

Opposition to the legislation was also expressed at the national level by two of the three principle union federations, Force Ouvrière (FO) and the Confédération Générale du Travail (CGT), who feared that the direct expression groups would weaken local unionism by offering workers alternative forms of representation. At the local level, the most principled opposition to the legislation came from representatives of FO, who refused to sign some 50 per cent of the agreements that were concluded in firms where they had established a local branch. Local representatives of the CGT were much more receptive to the negotiations, signing about 80 per cent of the agreements that were concluded in the plants where they were organized (Tchobanian, 1992, p. 107). The failure of CGT representatives to sign was in most cases a response to employer insistence that a member of management lead the discussion groups.<sup>26</sup>

Unlike FO and the CGT, the other principal union confederation, the Confédération Française Démocratique du Travail (CFDT), actively championed the expression groups and encouraged its local representatives to negotiate agreements with management. For this reason, it is significant that even in the case of the CFDT local representatives generally adopted a defensive posture in their negotiations with management. A recent survey, reported by Tchobanian (1992, pp. 108-115), of the attitudes of 100 local trade union representatives of the CFDT who were involved in negotiating the introduction of the expression groups indicated that the most common tactic was to seek operational procedures which would assure the maximum independence of the groups and of the content of workers' expression from managerial influence. While, on Tchobanian's account, this approach reflected a

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<sup>24</sup> For the opposition of the Conseil National du Patronat Français (CNPF) to the legislation at the time of its passing, see Coiffineau (1993, pp. 16-17).

<sup>25</sup> The only estimates on the number of quality circles operating in France during the 1980s that I am aware of are those published by the Association Française des Cercles de Qualité (AFCERQ), created under the auspices of the UIMM in 1981 to promote quality circles. AFCERQ, which had a clear interest in over-estimating the degree of diffusion claimed in 1987, two years before its collapse, that some 40,000 quality circles were in operation in French firms. See Chevalier (1994, p. 212).

<sup>26</sup> Employers were quite successful in assuring their control over the direction of the groups. As of 1992, 58 per cent of the agreements signed give the employer the right to choose the group leader, while only 22 per cent conferred this right on the groups themselves (Coiffineau, 1993).

mistrust of management's intentions, it also was adopted with the idea that the local union might strengthen its bargaining position in the firm by actively following-up on group demands. In short, the local representatives in most cases perceived the expression groups as a strategic resource in their adversarial bargaining relations with management. In only a few cases did CFDT representatives seek to use the groups as instruments for drawing on workers' creative knowledge for improving production methods. In these exceptional cases works council representatives, in making use of their enhanced consultation rights over the introduction of new technology, would encourage the groups to make preliminary studies which they would draw on before expressing an opinion to management (Tchobanian 1992, pp. 108-110).

The disappointing performance of the direct expression groups in France suggests that the attitudes and beliefs of employers and unions can be a serious obstacle to the effectiveness of legislation for participation. Unions and employers voiced the typical fear that the expression groups would be used as a strategic resource by the other side to increase their power and command over resources within the firm. In some cases such concerns led to actions designed to thwart the legislation, as with the decision of some employers to create quality circles along side and in competition with the groups, or with the refusal of some local unions to participate in the negotiations. In other instances such mistrust led to defensive strategies designed to limit the influence of the other side over the operation of the groups. Considerable conflict emerged over the issue of who would have the right to lead the groups, to the expense of creative efforts to turn the groups into forums for a sincere exchange of information between labor and management.

It is tempting to draw a pessimistic conclusion from the French experience for the possibility of promoting workplace participation through external mandating in the United States, a nation similarly marked by a legacy of adversarial industrial relations and by widespread opposition of employers to union interference with how they manage their workforces. My purpose in highlighting the French experience is more nuanced, for if the study of comparative industrial relations points to strong inertial forces in the character of labor-management relations, it also makes clear that significant change can come about. In the final section of this paper, I turn to a brief account of the post-World War II evolution of union and employer attitudes on the issue of workplace participation in the Federal Republic of Germany. It is all too easy to forget just how far apart the two sides were on the issue of co-determination just after the war, and that the institution of effective workplace participation required a lengthy process of adaptation and learning.

### **Workplace Participation as Institution Building**

In considering the 20th century history of German industrial relations one cannot help being struck by the evolution from a situation of almost internecine conflict in the Weimar Republic to one of relative industrial peace after the Second World War. This evolution in attitudes and behavior is often presented as a response to the tragic events of the interwar period; to a new pragmatism and moderation on

the part both unions and employers born of their conviction that the overt conflicts of the Weimar Republic contributed to the rise of the Nazi dictatorship. Recent work by Berghahn (1986) on the ideology of German employers' after the Second World War points to strong elements of continuity with the inter-war period. His account makes clear that the more conservative employers, especially in Ruhr heavy industry, detested the "Dinklebach" model, which had been established in the British zone in 1947 and which provided for union-employer parity on the Supervisory boards of coal and steel enterprises. Individuals such as Hermann Reusch, the director-general of the giant steel producer, Gutehoffnungshütte, and F. Berg, the first president of the BDI,<sup>27</sup> the peak association concerned with the economic-policy interests of German employers, continued to see the situation much as they had during the Weimar Republic, as a question of socialism or capitalism with the unions as their implacable foes (Berghahn, 1986, pp. 192-93 and 220-230).

Conversely, if we are to take at face value the statements of the unions at this time, their progressive integration into a liberal regime of collective bargaining was far from inevitable. At the founding congress of the unions' confederation, the Deutscher Gewerkschaftsbund (DGB), in Munich on 12-14 October 1949, their program called for a fundamental transformation of socio-economic relations in Germany. The center piece of this was the all encompassing framework of *Mitbestimmung* or the program of power-sharing at all levels of society from the shopfloor up through to the public institutions responsible for macro-policy. By the mid to late 1950s, though, the DGB and its affiliated unions had all but abandoned their social transformative aspirations and were concentrating on improving wages and conditions of their members through collective bargaining (Markovits, 1986, pp. 83-93).

A factor that arguably reinforced the position of the moderates within the union movement at this time was the Christian Democratic Union (CDU) government's moderate handling of the 1950 strike threat by I.G. Metall, the dominant union in the DGB. I.G. Metall threatened strike action in an effort to prevent the introduction of a Works Constitution bill that would have eliminated existing arrangements in coal and steel based on the principle of power-sharing through union-employer parity on the supervisory boards of companies. Chancellor Adenauer personally mediated this conflict and his intervention was instrumental in forging a compromise between unions and employers which provided for the separate 1951 Co-determination Act, exclusively for iron and steel, which was ratified in advance of the passage of a Works Constitution bill for the rest of German industry. This solution was designed to appease the employers who would be assured that parity would not be extended

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<sup>27</sup> The Bundesverband der Deutschen Industrie (BDI) holds responsibility for economic and commercial policy issues, while a separate peak organization, the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA), is responsible for social and collective bargaining issues.

beyond coal and steel and that a less radical Works Constitution bill would be passed at a later date (Berghahn and Karsten, 1989, p. 184).<sup>28</sup>

The unions' victory in assuring full-parity in coal and steel was shortly to be followed by what the DGB perceived as a major political defeat in passage of the 1952 Works Constitution Act for the rest of German industry. Despite the DGB's opposition, the 1952 act contained a number of clauses unacceptable to the unions, including provisions for less than workforce parity and no direct union input on the Supervisory Boards of companies, and legal restrictions on the union activities of works councilors while inside the plant (Markovits, 1986, pp. 80-83).

In the metal-working sector, the response of IG Metall to this defeat was a defensive one designed to neutralize the works councils, which the union feared would constitute an alternative non-union form of worker representation.<sup>29</sup> From the mid-1950s, IG Metall mounted a plant-level drive to create union shop steward committees alongside the works councils in order to strengthen the union's position and to exercise control over the works councils. The union also pragmatically pursued the strategy of actively campaigning to fill the works councils with its own members (Thelen, 1991, p. 78). While the history of these efforts goes beyond the scope of this essay, it is generally conceded that the shop stewards' campaign failed to achieve its aims. According to Streeck (1984, pp. 28-31), the emerging reality during 1960s was in most cases one of works council domination of the shop stewards. This failure helps explain the strategic change in IG Metall's position over the 1960s. Rather than aspiring to compete for workers' allegiance through establishing an alternative representative to the works council, the union came to see the works council as a vehicle for influencing plant level decision making through the active participation of its members elected to the councils.<sup>30</sup>

On the employers' side there was a similar process of learning and adaptation during the 1950s and 1960s. Berghahn (1986), in his detailed account of the evolution of employer attitudes after the war, argues that an important factor in this process was the role played by the Bundesvereinigung der Deutschen Arbeitgeberverbände

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<sup>28</sup> It is far from clear that Adenauer's decision to moderate the conflict rather than push for a defeat of the unions was inevitable. German employers were deeply divided on this matter. As Berghahn and Karsten note, "the hardliners in industry, who had never reconciled themselves to the advances made by the unions after the war and who detested the Dinkelbach model [in coal and steel], urged him [Adenauer] to stand firm and not give in to union 'blackmail'" (Berghahn and Karsten, 1989, p. 184) Markovits (1986, pp. 78-79) has suggested that Adenauer's support for co-determination was based in part on his profound "respect and affection" for Hans Bockler, the leader of the DGB, who died unexpectedly just prior to passing of the Co-determination Act in April 1951. This remains a controversial interpretation, though.

<sup>29</sup> These concerns were justified in the eyes of the unions by a significant fall in their membership rates during the 1950s. IG Metall's organization level fell from 56.2 per cent in 1952 to a low of 37.7 per cent in 1963, after which the trend reversed. See Thelen (1991, p. 78).

<sup>30</sup> This is a major theme developed by Thelen (1991).

(BDA), the peak association responsible for the social welfare and collective bargaining interests of German employers. Under the leadership of such moderates as G. Erdmann and W. Raymond, the BDA acted as a buffer against the more conservative Bundesverband der Deutschen Industrie (BDI), while also playing a pedagogic role in urging its regional and branch associations to pursue regular collective bargaining with employees and their organizations (Berghahn, 1986, pp. 230-59).

A number of studies on the practice of co-determination during the late 1950s and 1960s have concluded that the system was making a positive contribution to the negotiated resolution of conflict in German companies (Jenkins, 1973; Macbeath, 1973; Spiro, 1958). At the time of the reemergence of co-determination as a political issue in the late 1960s and early 1970s under the Social-Liberal coalition, the influential Biedenkopf Commission report of 1970 observed that as a effect of co-determination the consideration of the social consequences of its decision-making had become a standard feature of most German companies.<sup>31</sup> But the considerable length of time involved in achieving any fundamental change in attitudes is also apparent from the reactions of the more conservative industrialists to the prospect of an extension of workers' co-determination rights at this time. The BDA and the BDI both led vigorous campaigns against any extension of co-determination along the lines of full parity. Like an echo from the early 1950s, Berg of the BDI was predicting the end of the market economy through the creation of a union state. It was only in the years following the passage of the 1972 Works Constitution Act that it could truly be said that the balance within the employers' associations had been tipped towards those favoring a lasting accommodation with the new realities of workplace participation.<sup>32</sup>

## Conclusions

The comparative experience of Germany and France leads to the conclusion that legislation may promote the diffusion of effective workplace participation, but it need not do so. This is a vague conclusion, but I would contend that it is vague for precisely the same reasons that the comparative study of industrial relations policy is inescapably a vague undertaking. Any attempt to draw definite conclusions for one nation about the consequences of a particular policy measure based upon another nation's experience runs up against the problem that wider sets of international comparisons point to a diverse range of possible outcomes. The French experience of the 1980s provides a corrective to an undeserved faith in the efficacy of legislative solutions that an exclusive consideration of the German case might seem to warrant. The ultimate value of international comparisons, I would contend, is not in providing

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<sup>31</sup> See the discussions of the report's findings in Lane (1989, pp. 231-32) and in Thelen (1991, pp. 49-50).

<sup>32</sup> See Berghahn (1986, pp. 260-325) for a detailed account of the period. German employers' challenge to the constitutionality of the 1976 Co-determination Act does not contradict this. This was undertaken in an effort to set legal limits to a further extension of co-determination rather than to do away with it (Markovits, 1986, pp. 139-40).

concrete lessons for how to bring about systemic change in industrial relations systems. The effects of any particular policy measure will inevitably depend on various contingent factors, specific to the particular nation. Rather, the value of such comparisons is in pointing to the range of possible worlds that can be constructed, and in opening our imaginations to the possibility of forging new forms of cooperation even in situations where the actors may seem to be locked-in to an inevitable cycle of conflict and mutual recrimination.

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