Industrial democracy offers workers the promise of greater control over their working lives. Employers have also supported forms of industrial democracy to improve worker morale and productivity. Industrial democracy can have a variety of implications for capitalism. Workers’ control of businesses through ownership by workers’ cooperatives challenged the traditional notion of the capitalist firm and could ultimately supplant it. Other forms of industrial democracy are less challenging for capitalism. Representative or indirect forms of industrial democracy include works councils and joint consultation, where representatives of workers and managers sit and discuss problems. They can take the form of non-union employee representation (NUER), such as in employee representation plans (ERP) or German works councils, or involve unions, such as union-management cooperation. In the US and the UK, the term “industrial democracy” also refers to collective bargaining, in which employers recognise unions and negotiate a collective agreement that covers wages and working conditions. Direct forms of industrial democracy focus on the way work is organised at the workplace level: these can include team-focused work and semiautonomous work groups. Financial forms of industrial democracy focus on the way financial rewards are distributed through employee stock ownership and profit sharing. The terms “employee democracy,” “employee involvement,” and “employee consultation” are used interchangeably with “industrial democracy.”

This book will focus on the debates and practice relating to four versions of indirect industrial democracy in the interwar period at the workplace level – ERP, union-management cooperation, Whitley works committees and

German works councils. It will examine what we can learn from the interwar period to inform contemporary debates about industrial democracy and the “representation gap” of workers without union coverage in the workplace. The book will explore the interwar experiences of these ideas in Australia, Canada, Germany, the UK and the US. ERPs and union-management cooperation emerged in the US, while the UK provided the context for the development of Whitley works committees. The German interest in works councils dates back to the mid-nineteenth century, and culminated in works council legislation in 1920. While Australia and Canada were not the source of these approaches, they are examples of economies that were looking for ideas overseas to ensure labour harmony and industrial productivity in the uncertain world that accompanied the end of the First World War. Australia and Canada also had developed economies that were dependent on larger and more powerful countries such as the US and the UK for trade and capital investment.2

The decline in trade union membership in many Western countries in recent years has raised concerns among scholars that workers without union representation no longer have a voice in the management of their workplaces. This “representation gap” reduces workers’ potential to contribute to improving productivity and the quality of working life. Commentators and academics have looked towards the instigation of forms of NUER such as works councils or joint consultative schemes as a critical means of developing appropriate representative employee participation infrastructures at the workplace level to provide for employee voice. The advocates of these forms of representation argue that they complement the call for “high-performance workplaces” or “mutual gain enterprises” in an era of heightened global and domestic competition by encouraging decentralised decision-making, team forms of production and a climate of cooperation and trust.3

The problem with this debate was “organisational and public policy amnesia,” which led to previous experiments in employee democracy being

Introduction

overlooked.\textsuperscript{4} In Australia, for example, there have been at least three waves of interest in employee democracy. There are two major approaches to explaining this recurring interest. Firstly, Harvie Ramsay in the UK and Chris Wright in Australia have noted that employers have adopted a cyclical approach to employee participation driven by threats to managerial authority. Ramsay’s approach notes that waves of interest in employee democracy are linked to management’s perceptions of economic, political and industrial threats to its authority.\textsuperscript{5} The German works councils, the Whitley Scheme and the Rockefeller Plan attracted considerable interest at the end of the First World War, when employers in all five countries examined in this book faced industrial unrest and the Bolshevik threat. Another wave of interest in the Rockefeller Plan arose among US employers during the early 1930s in response to the strengthening of organised labour during the New Deal.\textsuperscript{6}

The alternative “favourable conjunctures” thesis put forward by Michael Poole, Russell Lansbury and Nick Wailes rejects the inevitability of cycles and is more focused on factors that help explain the rise of industrial democracy. This approach acknowledges a “broad long-term trend towards greater experimentation and richness of forms” of industrial democracy. It also recognises “a discontinuous historical pattern, in which the main forms of industrial democracy have varied substantially in their incidence and impact at distinctive points in time.” The favourable conjunctures model of comparative industrial democracy developed by Poole, Lansbury and Wailes suggests four main sets of variables that influence industrial democracy within organisations: macro-conditions (external organisation); the strategic choices of actors; the power of actors; and organisational structures and processes at the level of the firm. The macro-conditions include favourable economic and technological variables, culture and the legal framework. The presence of compulsory arbitration and a relatively strong trade union movement may, for example, explain the minimal impact of the Rockefeller Plan and the Whitley Scheme in Australia. Similarly, the relative weakness of labour and lack of a legislative framework for industrial relations in Canada and the US may explain the success of the Rockefeller Plan there. Poole,


\textsuperscript{6} Patmore, Greg, “Unionism and Non-Union Employee Representation: The Interwar Experience in Canada, Germany, the US and the UK”, \textit{Journal of Industrial Relations}, vol. 55, no. 4, 2013, pp. 527–45.
Lansbury and Wailes also try to explain why particular forms of industrial democracy persist. They note that while there maybe macro-conditions that favour industrial democracy, the adoption of employee participation at the firm level is subject to organisational choice.7

One criticism of the Poole, Lansbury and Wailes approach is that it is teleological, implying that there is a long-term trend towards greater richness in the forms of industrial democracy. By contemporary standards, the interwar period was a very rich period for experimentation with industrial democracy, but all these ideas failed to sustain themselves significantly for the duration of the interwar period. While the German works councils were resuscitated following the Second World War, it is arguable that they represented a richer version of the Weimar experiment with works councils, particularly from a union perspective.8 Favourable conditions at the plant level explain why some of these experiments with employee representation persisted throughout the period in the cases of Rowntree in the UK, Electrolytic Zinc (EZ) in Australia, Baltimore & Ohio Railroad (B&O) in the US and Canadian National Railroad (CNR) in Canada. Whatever its problems, both the “favourable conjectures” and the cyclical theses highlight that there is a long history of prior experimentation with industrial democracy to draw upon in evaluating the performance of contemporary proposals.

Historical debates over whether ERPs are a solution to contemporary concerns about the “representation gap” and the need for employee involvement have to some degree challenged the problem of “organisational and public policy amnesia” in regard to schemes for employee participation in the workplace. In the US and Canada, some academics have explored their historical traditions relating to ERPs prior to the outbreak of the Second World War. David Fairris and Bruce Kaufman have provided a favourable historical re-examination of ERPs during the interwar period.9 ERPs were joint committees of employees and management representatives funded by the employer to discuss a range of issues including wages and conditions, safety and accidents, and company housing. Workers could appeal to various levels of company management and some ERPs even made provision for

appeal to an external court if mediation failed. The company paid for all costs associated with the plan, including reimbursement for the loss of work time by employee representatives. The promoters of ERPs viewed them as alternatives to both individual contracts and independent trade unions. They argued that the ERP was part of a progressive move in US industry to promote a greater interest in more sophisticated personnel management practices in order to improve worker commitment, morale and productivity. The founders of the personnel management movement called for a recognition of the “human factor” and a more systematic approach to labour management.\(^{10}\) As Brody has argued, “For the New Era’s lead industrial firms, employee representation became emblematic of best practice under the aegis of advanced personnel management.”\(^{11}\) One recent book focusing on the ERP at Colorado Fuel & Iron (CF&I) in the US has emphasised the benefits for workers if management is committed to ERPs as an alternative form of employee voice.\(^{12}\)

There are two major issues for these more favourable interpretations of the ERPs. First, Section 8 (a) (2) of the US National Labor Relations Act or Wagner Act banned ERPs in 1935 because they were viewed as an attempt to deny workers the rights to independent representation of their own choosing. Current critics of this legislation argue that it should be amended to give employees a voice in those workplaces where unions are no longer present and allow them to draw upon the re-examination of ERPs to support their case. NUER would allow workers to raise grievances and make suggestions to increase plant productivity.\(^ {13}\)

This approach challenges long-standing concerns within the pluralist Anglo-American industrial relations literature about the impact of NUER on trade unionism and collective bargaining. Dunlop’s classic theory of industrial relations systems established the field of study on the basis of collective bargaining and organised labour and virtually ignored non-union employment. In the UK, Hugh Clegg went further and argued against NUER, claiming that only collective bargaining by unions independent of the state and management could produce genuine industrial democracy and challenge totalitarianism. He argued that only trade unions represent the interests of workers and that NUER would weaken unions. He also

---

\(^{10}\) Patmore, “Unionism and Non-Union Employee Representation”, pp. 528, 531–2.


questioned the claims that NUER could increase productivity and reduce industrial conflict. These concerns that NUER may weaken unionism remain an important part of the industrial relations literature, particularly in the US.14

Where unions have been traditionally weak or non-existent, which is increasingly the case, there has been some questioning of this emphasis on unions at the expense of forms of NUER. There has been a growing willingness to examine NUER and explore workplaces where unions have no presence. In the US, Sanford Jacoby highlighted that prominent and successful firms such as IBM have remained non-union since the 1930s and developed welfare capitalism, including a range of participatory practices. He questions claims that leading American companies accepted unions as a feature of modern management.15 In the UK, the work of scholars such as Peter Ackers and Mick Marchington on NUER16 has led some to “reject the rather conspiratorial view” that such schemes are “mainly about defeating and marginalising unions, by pointing out that management has many other goals than labour control.”17

Second, the revisionist ERP literature, which focuses attention on the North American experience during the interwar period, begs the question as to what was happening elsewhere. There were vigorous alternative debates over worker voice in the UK and Germany, which provided for NUER that was built on freedom of association, such as Whitley works committees (UK) and works councils (Germany). These ideas were popularised during and immediately after the First World War and represent a distinct phase of international interest in NUER. Despite the great hopes surrounding the introduction of these ideas, they had not achieved the ambitions of their proponents by the outbreak of the Second World War in 1939. The impact of the Great Depression, particularly in Germany and the US, which saw dramatic political shifts towards


17 Ackers, “An Industrial Relations Perspective on Employee Participation”, p. 70.
National Socialism in Germany and the New Deal in the US, led to the demise of the works councils in Germany and the outlawing of ERPs in the US. With some exceptions, the enthusiasm for Whitley works committees in the UK had dissipated by the mid-1920s. The next wave of interest in workplace employee representation came during the Second World War, when there was a focus on improving productivity to assist wartime production, and brought “a new upsurge in workshop democracy” in the UK, according to Hugh Clegg.

Expanding the study of workplace employee representation beyond North America and incorporating a comparative historical approach gives a greater depth to the discussion of these forms of industrial democracy. Comparisons are useful primarily because they enable us to see what is not there. By isolating the factors that encouraged or inhibited industrial democracy in different countries, it is possible to develop a more sophisticated conceptual framework. This book looks at five countries and covers a significant period of time, which can be compared to present circumstances. To develop an argument put forward by George Strauss, the noted US industrial relations scholar, a conceptual framework, whether in labour history or industrial relations, should develop principles that “apply everywhere, not just in a single country” and be applicable over time.

The book strengthens the comparative historical method by recognising the transnational dimension of history. While national boundaries provide useful platforms for comparative research, they do not prevent the flow of ideas, people and commodities. Current research that examines the transferability of forms of industrial democracy, such as works councils to Australia, can only speculate on the problems and strategies. This book examines how successful the German works councils, union-management cooperation, ERPs and the Whitley schemes were in being transferred from their countries of origin to four others. It explores the factors that explain the success or failure of the transferability of industrial democracy practices. The Rockefeller Plan was successfully transferred from the US to Canada, but the Whitley and Rockefeller schemes appear to have had little impact.

---

18 Patmore, “Unionism and Non-Union Employee Representation”, p. 529.
on Australia. The findings concerning historical transferability will have important implications for contemporary debates.

Labour historians have identified a number of problems in examining the impact of ideas on the management of labour. There is a “noise effect,” which arises from a gap between the rhetoric and the impact with regard to change, particularly at the workplace level. Ideas such as scientific management, industrial democracy and human resource management may be widely discussed in employers’ journals, academic papers and the press, but only have minimal impact on practice. Further, the changes associated with a particular idea may already be present in the workplace. Aitken, in a classic study of the impact of scientific management on the Watertown Arsenal in the US, warns of the tendency of management to exaggerate the benefits of change and belittle previous practice, which may be characterised by informal organisation and an absence of written formulas.

There is also the problem of “shelf life.” Management has introduced some ideas such as employee participation against the background of labour shortages and high labour turnover. New policies may be introduced as part of a package of reforms by a new team of managers in an organisation to impress shareholders and the capital market. Such innovations may soon fall into disuse once they have served their purpose. Management may mix ideas with conflicting messages (scientific management and employee participation) or only apply them to a small part of their operations for public relations purposes. They may exploit “organisational amnesia” by reintroducing failed practices packaged differently. Worker resistance, opposition from within the ranks of management and state intervention can reduce the impact of any change. This is not to deny that these ideas have an ideological role with regard to management authority even if not put into practice. The sociologist Michael Burawoy argued that scientific management preserved capitalism by making efficiency a “scientific question” and removing it from popular discourse. The inclusion of specific firm case studies in this book alongside an examination of the industry and national levels minimises the problems of the “noise effect” and “shelf life” by providing insights into organisational choice regarding forms of employee workplace representation.

23 Patmore, “Changes in the Nature of Work and Employment Relations”, p. 34.
24 Hugh Aitken, Taylorism at Watertown Arsenal: Scientific Management in Action 1908–1915, Harvard University Press, Cambridge, MA, 1960, p. 120.
Another problem with looking at workplace employee representation during this period is the lack of surviving archival material. Few detailed minutes and election records survive. Generally, employers have not maintained the records of these forms of employee representation. Notable exceptions to this rule include CF&I in the US, Rowntree in the UK and EZ in Australia. Many of the German and British records were lost during the Second World War. Those records not lost by Siemens, the German electrical manufacturer, during Allied bombing raids were removed by Soviet forces and sent east. The Nazis also targeted and destroyed union archives. This lack of employer archives is to some degree offset by other records found in personal, union and government archives. Steelworkers in the US and Canada and railway unions in the UK have retained material relevant to this study. Significant government archives relating to the Ministry of Labour in Germany and the UK are found in the Public Records Office in London and the German federal archives in Berlin. The British records tend to focus on the 1920s and the German on the period from 1920 to 1933, when the Nazis dismantled the works councils. Some surviving files and correspondence provide valuable insights into the operation of Whitley workshop committees and German works councils, particularly with regard to the impact on unions. There is also an extensive collection of material relating to union-management cooperation held in the Otto Beyer collection at the Library of Congress in Washington, DC, which includes long runs of union-management cooperation committee minutes. These archival limitations mean that certain industries such as railways and steel are highlighted in this study and there is a greater focus on the 1920s.27

This book is organised along the following lines. Chapter 2 examines the historical context in which ideas relating to employee representation in the workplace were discussed, focusing on Australia, Canada, Germany, the UK and the US. It first examines explanations of historical patterns of employee representation. The chapter then focuses on issues arising from this discussion: economic issues, the industry scale and structure, the division of labour and technology, trade unions and politics, employers and the role of the state in the five countries. The chapter provides the background for understanding the development of ideas of employee representation and the success or failure of their implementation. Chapter 3 explores in depth the four major concepts of workplace employee representation to be examined in the book – the Rockefeller Plan or ERPs, Whitleyism, German works councils and union-management cooperation. It looks at the origins of each of these ideas, their development and variations. Chapters 4 to 8 look at the

impact of these ideas on the US, the UK, Germany, Canada and Australia respectively between 1914 and the outbreak of the Second World War. The final chapter, the conclusion, brings together the empirical evidence and arguments raised in the book.