PART III

PARTICIPATION IN Different COUNTRIES

YUGOSLAVIA

FEDERAL REPUBLIC OF GERMANY
PARTICIPATION IN DIFFERENT COUNTRIES

The countries which have adopted participative concept as an integral part of their economic and social system are Yugoslavia, Federal Republic of Germany, Great Britain, France, Japan, United States, Israel, Netherlands, Denmark, Poland, Spain etc. Participation in all these countries have got a mandatory status. But of all these countries only Yugoslavia and Federal Republic of Germany have tried this concept extensively and succeeded considerably.

Today in Germany workers are taking part in the management of their enterprises while Yugoslav workers have gone ahead by managing their own enterprises independently and most efficiently. This shows that if workers are properly trained and given an authority they can as well manage the enterprise successfully. These two countries although differ in political ideology, they are driving towards the common goal of socialism.

In other countries this concept has not succeeded up to the mark either due to managements' antagonism or apathetic attitude of
workers, all of whom are yet to realize the importance of this concept. In these countries government have also not introduced any comprehensive legislation for its implementation. In this chapter participation in Yugoslavia and Germany has been discussed in detail, so that we can draw some experience from these countries.
Self-managerial system are automatically adjusted and corrected by the very fact that they set these targets for themselves.
The diversity of socialist Yugoslavia is often described as 'one state, two alphabets, three languages, four religions, five nations and six republics'.

REVOLUTIONARY TRADITIONS

Yugoslavia emerged from the four-year war (1941-1945) waged on her territory against the superior armies of Nazi Germany and its satellites as a state based on new social foundations, laid in the course of the armed struggle. It was a state created by the people themselves, who rose against the occupiers and fought with arms seized from them. The structure of this state was based on a broad network of people's liberation committees, democratic organs of government which the people founded in villages and towns. These were the first forms of self-government. Even at that time, these organs, assuming all the prerogatives of government, began to concern themselves with some fundamental questions of the future socialist system: the management of public property and direct responsibility to the voters of all holding public office. The so-called Peca instructions (compiled in the liberated Bosnian town of Peca to
assist the functioning of these committees by the late Hose Pijade, lawyer, painter and journalist, one of the leaders of the liberation movement and subsequently President of the National Assembly) provided for the nationalisation of all property of the enemy and collaborators, and its transfer to the committees for management. This laid the foundations of the future socialisation of the means of production.

The first workers' councils, in fact, predated the passing of the law on June 27, 1950. At a meeting six months prior to this, the government formulated its views on the creation of elected organs of the workers in enterprises which would take over and develop the function of production consultations. It was realised that this type of worker initiated organ would stagnate if it remained in its existing non-compulsory form, and that an attempt should therefore be made to direct this movement so that the workers would gradually assume the right of decision-making.

The functions of these first councils were given as:

1. Consideration and elaboration of enterprise plans;
2. proposal of measures to improve production;
3. raise productivity;
4. improve quality and reduce costs;
5. discussion of measures to train skilled staff and strengthen work discipline;

6. submission of proposals with regard to work norms and the systematization of jobs, etc.

The first workers' council in the world was started on the very last day of 1940 in the Prvoborac Cement Factory in Selin, creating a new history towards better socialism. Thirteen members were elected on the first workers' council and the council decided to devote most attention to the training of personnel, checking the fulfillment of annual and monthly targets, lowering production costs and other matters concerning production. As president they elected carpenter Ante Gabelic, a well-known strike-leader and Communist Party member in prewar Yugoslavia. Seven workers and five department heads and the director were included in the 15 member workers' council.

HISTORIC LAW

The Historic Law on Self-management in Yugoslavia was passed unanimously on June 27, 1950. But even before the passing of the law, 530 councils in all parts of the country were already functioning, with a total of 14,583 members, of which almost 10,000 were workers engaged in production, about 4,000 were office workers and nearly 1,400 engineers and technicians. On this historic day, Josip Bros
Tito said: 'the law handing over the management of factories and
erother enterprises to their working collectives is a logical con-
sequence of the course of socialist construction in our country.
It is a continuation consistent with the series of measures our
government has introduced on its unswerving path to socialism'.
In the bill among other things, provision was made for a managing
board and executive body which was to be elected by the workers'
council from among its members. It also stipulated that the workers'
council should have from 15 to 120 members depending on the size of
all collective, and that in enterprises with less than 50 employees
the entire collective should form the workers' council. But most
important of all was the granting of the first autonomous powers
to the council: to approve the enterprise production plan and
annual financial report, to adopt general conclusions on the running
of the enterprise, to give approval of measures to be taken by the
managing board and director, and with the confirmation of the competent
organ of the state administration, to draw up and pass the enterprise's
rules regulations. For the first time, enterprises acquired the right
to spend part of their profits as they wished, the manner of spending
it to be decided by the workers' council.

Under the new law, the enterprise director assumed a dual
function. On the one hand, he remained an official of the state,
on behalf of which he organised production and carried out the plan tasks set by the higher organs of the state administration, to which he was responsible, and which appointed and replaced him. But on the other hand, he was also automatically a member of the managing board — and as such was found, together with the whole board, to carry out the decisions of the workers' council, to which he was accountable for his actions. The law did, however, provided him with a way out of this contradictory situation: if he consider that a conclusion of the managing board conflicted with the law and other regulations or with the plan targets and instructions of the state organs, he is obliged to inform a higher authority i.e. the directorate for that branch of the economy or ministry whose decision is final.

But with the passing of years, it is found from the experience gained by these councils that without the mediation of these organs, enterprises would in fact be able to produce more, better, and cheaper goods than the former planned norms had provided for. Due to this reason, one after another directorates were abolished in the subsequent year as those proved to be unnecessary. This also helped to eliminate the dual functioning of the enterprise directors.
RADICAL CHANGE OF THE ECONOMIC SYSTEM

Worker management in the Yugoslavia got a shot in the arm with the passing of the economic and social development plan (the 'Social Plan' as it was called) in 1952. Now for the first time, enterprises were given the right to draw up their own production plans independently, to establish links with other enterprises freely, to decide on their own economic development, and to spend a significant share of their earnings as they saw fit.

The federal plan determined the global proportions of production in the various economic branches and activities so that harmony could be maintained within the extremely uneven economic structure and to enable the rapid pace of industrialization to continue. But the plan no longer laid down what and how much to produce, nor did it prescribe production methods or prices. Steps were also taken to decentralize worker management in the enterprise by the election of departmental workers' councils in addition to the central council. As soon as they were elected, these departmental councils naturally began to demand independent powers, arguing quite reasonably, that they were most competent to deal with departmental matters since they were closer to the electorate body - the collective - in which all worker-management power was vested and that the central workers' council should serve only as a general coordinator.
In the meantime, the function of the director had become clearer. As the central planning control disappeared, there was no longer any need for the director to be appointed from outside as an official safeguarding the general public interests. Instead of being uncomfortably placed between the state administration and the workers' council, his prime responsibility was now to the latter, which alone determined his functions and powers. Under a regulation enacted in 1955, the director was to be appointed from among applicants by the workers' council after the post had been publically advertised.

**THE CONSTITUTIONAL LAW OF 1955**

The constitutional amendments of 1955 clearly formulated the idea of self-management as an inalienable right of the working people which is constitutionally protected from any violation, including that by the state itself. Thus, the state, for the first time, tied its own hands, preventing any future interference on its part in the worker-management operational activities in the enterprises and distribution of their earnings. Naturally, this law is known as the 'Magna Carta' of Yugoslav citizens.

**BREAKTHROUGH INTO GOVERNMENT**

In 1957 several important laws were passed guaranteeing
enterprises full freedom in disposing of their resources.

The fundamental point was that a working collective, after meeting the costs of operation and depreciation, and having paid precisely determined fiscal contributions to the state, was completely free to do what it wished with the remainder, allocating it for personal earnings, investments and to other funds as it saw fit.

YEARS OF PROSPERITY

By the end of the first decade of worker management, Yugoslavia had already begun to catch up with the European countries with a medium level of economic development. In that period 7,000,000 people or one in every ten adults in the country, had participated in the workers' councils - that 'gigantic school of socialist democracy', as Josip Broz Tito once called this institution.

After the first ten years of worker management, industrial production was about four times greater than in pre-war Yugoslavia. Between 1955 and 1959 industry doubled its output, while the consumption of electric power was trebled. The turnover of goods also increased threefold. Personal consumption rose at an average rate of 10 per cent annually. Every year 150,000 more persons took
up employment, and in some years as many as 10 per cent of
the total labour force, a fact of enormous importance for
Yugoslavia, formerly a backward country suffering from agrarian
over population, permanently confronting insoluble unemployment
problems.

PAGE LIFT TO POLITICS

The promulgation of the Constitution in 1945 was the most
important event in the second decade of worker management. All the
566 deputies of the Federal Assembly, whose term of office was just
expiring, voted unanimously for the new Constitution. At that time,
the majority of deputies were professional political workers, yet they
all voted for a constitution which provided for a novel principle,
that of so-called rotation and limited re-election to all public
office. Many of them were consequently no longer entitled to stand
again at the next elections. Some returned to their previous profe-
sions, while others retired. The number of professional political
workers in the assemblies declined steadily during the next few
years. Today, the majority in the assemblies consists of non-
professionals.

TOWARD A SOCIETY FREE OF PARTIES

During the past twentythree years, workers' management has
gradually changed the political life of the country. The League of Communists gave the initiative for an all-round democratization of the political system and activity, while at the same time adopting a policy of reform aimed at the democratization of the League itself. Under the new system of May 1969, the entire procedure of selection and nomination of candidates was clearly defined by law, which laid down that all social structure - such as professional and vocational associations, and youth organizations, for example - were entitled to propose candidates on the basis of previous agreement reached in their constituencies. The goal of the new electoral procedure were on the whole achieved; the composition of the Federal Assembly and the assemblies of the republics, provinces and communes was 'rejuvenated' by many new deputies. The electoral slogan launched by the Socialist Alliance was 'Let us choose the Best'.

**EVOLUTION OF WORKERS' PARTICIPATION IN MANAGEMENT**

The evolution of workers' participation in management in enterprises may be divided into three periods:

a) 1947 - 1952: Management of the economy by the State Administration;

c) 1965 and after: further consolidation of the self-managing socialist society (beginning with the economic and social reform).

1947 - 1952: During this period, undertakings had no freedom of action, since they were fully controlled by the state, which

a) determined their activity;

b) fixed all prices and controlled all their relations with trade partners through state plans;

c) appropriated almost the whole of sums earmarked for depreciation and accumulation and bore the commercial risk of their operations;

d) grouped them under directorate of ministries. All important decisions regarding the operation and development of the undertaking were taken outside it by the appropriate organ of the state administration, and its role was confined to making proposals and observations.
1958–64: With the abandonment of directive centralist planning, the market within the framework of the overall plan for development became the basic criterion for the success of the share in their profits and subsequently in their net income after meeting their obligations to the state.

1965 and after: In the period starting in 1965 a number of further steps were taken to strengthen the independent responsibility of enterprises and self-management structures.

**STRUCTURE OF WORKERS' SELF-MANAGEMENT**

Self-management of an undertaking may be carried out at one, two or three levels.

Small and simple enterprises have self-management at one level, larger and more complex enterprises at two and the largest and most complex at three levels. The forms adopted by undertakings with self-management at two levels are used here for illustration.

In these undertakings, self-management is carried out through the following institutions:

First (enterprise) level: the work collective, the workers' council; auxiliary bodies of the workers' council, the board of management of the enterprise.
Second (work unit) level: the workers' assembly, the work unit council, the board of management of the work unit.

**THE ENTERPRISE LEVEL**

a) The Work Collective

The work collective which is the institution through which direct self-management is carried out, comprises the whole of the workers of the enterprise. In the larger, more complex undertakings where self-management is carried out at two or three levels, the work collective operates through an elected workers' council.

As a member of the work collective, the worker is considered no longer as a mere producer but as a worker-manager sharing responsibility for the entire operation and business of the enterprise. His job and remuneration depend on the results of the operations of the enterprise and its business success, not merely on how he does his own work.

Following are the example of basic rights and duties of the workers:

**Basic Rights**

1. Management of the factory as members of the work collective.
2. To elect and stand for election to management bodies.

3. To be informed about the business results of the enterprise and of the work unit.

4. Participation in the distribution of personal income.

5. Taking decisions through referendum on questions brought before the work collective.

6. Participation in the preparation of internal documents of the enterprise.

7. Participation in the preparation of annual and long term plans of the enterprise.

8. Participation in utilising the welfare fund.

9. Enjoyment of all rights of employment.

10. BASIC DUTIES

1. To work as good labourers on their job.

2. Conscientiously to look after social property with which they have been entrusted.

3. To perform their jobs as successfully as possible.
4. To abide by the rules on safety and fire prevention and to use the appropriate protective equipment.

5. To work on their education in order to acquire the abilities for work in production and management.

b) The Workers' Council

The Yugoslav Constitution provides that, in enterprises whose staffs consist of up to 50 members, the rights and obligations of the workers' council shall be exercised by the work collective. An enterprise with more than thirty but not more than seventy members may lay down in its statutes that a workers' council shall not be elected and that its rights and obligations shall be exercised by the work collective. If it does not make this provision, it must have a workers' council.

The workers' council has so far been in practice the basic management body of the enterprise. It is elected by universal suffrage through secret ballot. Any member of the undertaking (other than the director) who is on the electoral roll for the undertaking may stand for election. Each enterprise lays down in its statutes the term of office of its workers' council. Most provide for a two-year term, half of the members being elected each year. Most councils consist
of between fifteen and 150 members, depending on the size of the enterprise.

The workers' council of an enterprise considers and adopts decisions on the matters which have been placed under its competence by the statutes of the enterprise. In addition, by law, the council drafts the statutes and other general regulations, prepares development plans and programmes, adopts decisions on basic questions concerning business policy and the use of enterprise funds, prepares the enterprise balance-sheet, takes any decision concerning the amalgamation of the enterprise with another enterprise, takes decisions on statutory matters and on other general matters where this is laid down by legislation or in the enterprise statutes.

c) Auxiliary Bodies of the Workers' Council

Workers' councils may appoint commissions to deal with matters such as recruitment for certain jobs, discipline and complaints. Commissions make decisions within the framework of criteria laid down by the council. The council may also appoint professional committees to consider and give expert opinions on important proposals which have been submitted to it. Subjects covered by committees are the development planning of the enterprise and financial, commercial, personnel and social policies.
d) The Board of Management of the Enterprise

The board of management is the executive body of the workers' council. Specifically, it prepares draft proposals for the statutes and other regulations, draft plans and programmes for the work and development of the enterprise for submission to the workers' council. It ensures observance of regulations and decisions of the council and in general, directs the operation of the enterprise.

The board of management is elected by the workers' council from the members of the work collective, including its own members. Its size is adapted to the size of the workers' council and usually ranges between five and eleven people.

e) The Director of the Enterprise

The director is the only person in the undertaking who participates in self-management as an individual. He is appointed by the workers' council following a public invitation of applications. The term of office for a director is four years. He may serve two terms providing he stands for re-election. He may be recalled before the end of his term of office, but only in accordance with the requirements and procedures laid down in the statutes of the enterprise.
The role and functions of the director are - he is required to run the business of the enterprise, execute the decisions of the workers' council and board of management, represent the undertaking, and perform any other duties laid down by legislation or in the statutes or other general regulations of the enterprise. The director is independent in his work and is personally responsible to the workers' council, the board of management and the work collective. He has the right and the duty to participate in the work of the workers' council but has no right to vote.

f) Professional Managerial Staff

Yugoslav undertakings, although operating under a system of self-management, still utilize the service of professional managers. These are engaged in day-to-day managerial activities such as the integration of different interests, the formation of common goals and the co-ordination and direction of the work of individuals and of groups. Under the self-management, this managerial work is carried out in accordance with policies formulated or approved by the work collective, and under its surveillance.
THE WORK UNIT LEVEL

Work units are technically and economically integral units which can operate on the market and have a certain degree of self-management. The criterion for determining these units is the possibility of separate recording of costs and results, and the possibility for workers within the units of influencing product quality, costs, utilization of machinery etc.

In general, work units fall into two categories: production units and professional service units. Production units include plants, workshops, stages of production, design offices, departments for the preparation of work and auxiliary services. Professional service units include sections engaged in planning and development and in financial, commercial, personnel and social services.

a) The Assembly of Workers of the Work Unit

This is the whole work collective of the unit. It may act as an organ of direct self-management on matters pertaining to the work unit or may act through auxiliary bodies and/or a work unit council.

b) The Work Unit Council

The members of this council are elected by the work unit. It makes decisions the effect of which do not go beyond the unit, and
collaborates with other work unit councils in dealing with matters which affect itself and them.

c) The Work Unit Board of Management

The board of management is elected by the work unit council and acts as its executive.

d) The Assembly of Workers of the Accounting Unit

The work unit may consist of a number of 'accounting units'. The workers of an accounting unit constitute its 'assembly' and may take decisions by referendum or in assemblies on matters of concern to the unit.

**Self-management at three levels**

Self-management at two levels has been used to illustrate the various forms used in Yugoslavia. Its operation at one, two and three levels may be illustrated as follows, using three hypothetical enterprises:
Participation at the first level is the same in each of the three enterprises; it covers the work collective of each enterprise.

Participation at the second level in enterprise I and at the third level in enterprise II is carried out at the level of the work unit.

Participation at the second level in enterprise III covers the work collectives of the various plants which make up the enterprise.

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YUGOSLAV EXPERIENCE

The factories in Yugoslavia were handed over to the direct management when it was still an underdeveloped country and had not yet recovered completely from the devastation and ravages of war, reconstruction was still in full swing. Owing to certain international political developments at that juncture, the country was suddenly threatened by economic isolation from the world. Under the circumstances, the decision to hand over the social (public) property to the direct management of the workers instead of strengthening central government power entailed serious responsibility, and in the opinion of many at that time constituted a grave risk. But all the difficulties were promptly overcome through self-management system. Owing to an extremely rapid growth rate Yugoslavia soon joined the ranks of the medium developed industrial countries.

Apart from the ideological opponents of self-management, there were quite a few people in Yugoslavia who argued that if the right to decide on income distribution were given the workers would be concerned exclusively with the satisfaction of their immediate requirements without giving serious thought to the future, that they would inevitably tend to 'eat up' the funds accumulated, or in other words would spend total net receipts on personal income.
But Jugoslav history has proved that nothing of the sort ever happened. In the best business-like tradition the workers are managing the social property entrusted to them and income earned thriftily and rationally. On many occasions the workers deliberately decided to forego the opportunity of raising personal incomes, even when the latter were low, in order to purchase new machines, cope more efficiently with external difficulties, win a better place in the market for their products etc. In fact the logical assumption that the workers would take proper care of themselves and of their future was so at least as well as the state would have done in their place was thus vividly confirmed in practice.

Self-management in Jugoslavia has shown, without a doubt, that the working class is the sole vehicle of progress, not because of any mystical adherence to socialism, but because of the natural interest of the working people in charting their destiny as successfully as possible with a view to achieve a better and freer life.
Participation is termed as Co-determination in Germany and the German term of it is 'Mitbestimmung'. It is the name applied to the system of workers' control, effective throughout the economy and public administrations, unique to the Federal Republic of Germany.

The history of the development of the workers' movement is closely bound up with the struggle for freedom, equality, and social progress. The ideas of the English revolution of the 17th century, and of the American and French revolutions, were adopted as the natural principles of progressive political organisations. The demand for co-determination is a social-political phenomenon. As an accompaniment of progressive industrialisation, the demand for co-determination became increasingly pronounced, and it attained its greatest force in the first decades of the 20th century. It was above all, the German workers' movement which, in an unmistakeable form demanded equality for the workers through the medium of co-determination.
 TRADE UNIONS

Until 1933, the German trade unions were divided into three groups having different outlooks on life. They were the Free Trade Unions, the Christian Trade Unions and the German Trade Union Ring, of free, national stamp. The year 1933 brought a deep and painful alert in the history of the German workers movement. In the period of national socialist dictatorship, all trade union organisations were prohibited, commandeered their property, and suppressed every form of trade union activity.

When the trade unions were able to start up their activity again after the capitulation in May 1945, the occupying powers allowed at first only the formation of factory and local organisations. The amalgamation of unions up to provincial level was completed in 1946. A decision taken by the delegates of 16 West German trade unions at the inaugural congress held in Munich in October 1949 resulted in the founding of the German Trade Unions Federation (Deutscher Gewerkschaftsbund - DGB), the first Chairman of which was Hans Bechler. The sixteen Trade Unions (TU) and Industrial Trade Unions (ITU) comprising the German Trade Unions Federation (DGB) are:

1. Building, Quarrying and Building Materials (ITU)
2. Mining and Power (ITU)
3. Chemicals, Paper, Ceramics (ITU)
4. Printing and Paper (ITU)
5. Union of German Railwaymen (TU)
6. Union of Education and Science (TU)
7. Market Gardening, Agriculture and Forestry (TU)
8. Commerce, Banks and Insurance (TU)
9. Timber (TU)
10. Art (TU)
11. Leather (TU)
12. Metal (TU)
13. Public Services, Transport and Traffic (TU)
14. Food Production and Catering (TU)
15. Union of German Postal Employees (TU)
16. Textiles and Clothing (TU)

In the years from 1950 to 1955, the trade union picture in the Federal Republic grew considerably more diversified. The Union of Leading Members of Office Office Staffs – ULA, The Community of German Teachers’ Associations – GEL and the Christian Trade unions established themselves as mergers of the employees. In 1959, at Mains 15 professional associations of a trade union nature with Christian
leanings merged to form one national organization - The Christian Trade Union Federation of Germany - CGE. There is much that is common in the organizational form of these associations and their affiliations. On the other hand, there are sharp contrasts in their programmatic arrangements. An essential point in the programmes of all trade unions is the education of their members. Various media to this end are employed: Schools owned by the unions themselves, participation in cultural events, financial assistance for attendance at "people's Universities" and other educational centres. The modernly-equipped schools run by the CGE and the trade unions associated in it provide instruction in trade union matters, national politics and professional life.

**CO-DETERMINATION**

Germany has a long tradition with respect to Works Councils. The first law instituting works councils was passed in 1920 and since then, with the interruption of the years after 1933, works councils have always existed in Germany on a legal basis. The Works Councils law of 1920 stipulated as the primary obligation of works councils the representation of workers' interest vis a vis the employer. The Works Constitution Act of 1953 laid a principal
obligation on both the employer and the works council to co-operate with each other in good faith and by this gave a new mandate and even a new philosophy to the operation of works councils.

The new law of 1972 adopted after difficult parliamentary proceedings still maintains this principle of collaboration in good faith. During the past twenty years the functioning of works councils has indeed been governed by this mandate and has proved successful. The new law, which continues to make a distinction between the works council and trade union activities has nevertheless strengthened the position of the trade union within the establishment. In establishments where no works council exists, a trade union represented within that establishment may take various initiatives to bring about the election of a works council, though it still is not allowed to put forward trade union lists of candidates. If one fourth of the works council so desires, a trade union representative may participate in works council meetings on a consultative basis.

The provisions of the law are stringent - they cannot be altered by collective agreement between trade unions and employers' organisations or individual employers, nor by agreement between the employer and the works council. For the first time in the history of German works council legislation, the law of 1972 specifies rights
of the individual employee. The employer has an obligation to inform the individual employee on all questions concerning his activity and his position within the establishment, and the employee has the right to be heard on all matters concerning the establishment which directly affect him. He has the right to see the personnel files which are kept by the establishment for him and he has the right to present grievances to the competent institutions of the establishment.

STRUCTURE OF ENTERPRISES AND CO-DETERMINATION

Almost all the big enterprises in the Federal Republic of Germany are joint stock companies. They have three bodies each of which has to decide on different matters. These are:

a) The General Meeting

This is the meeting of the shareholders held once every year. It is responsible for some matters which concern the enterprise as such: questions of change in the capital stock, liquidation of the company, election of the members of the Supervisory Board, distribution of the annual net profit, and discharge of board of directors and Supervisory Board. When seeing these tasks enumerated, it seems as if the general meeting were a body that decides many fundamental matters in business policy. In reality, however, this is not the case.
b) The Supervisory Board

The Supervisory Board is elected with the exception of the workers' representatives - by the general meeting. Its most important right consists in appointing the members of the Board of Directors; thus, the members of the Board of Management (or executive Board) depend on the confidence of the Supervisory Board, and from that point of view, the latter's influence is ensured.

The election of the labour director cannot become effective against the votes of the workers' representatives in the Supervisory Board.

Apart from that, the Supervisory Board has to supervise the conduct of business and may even, under certain circumstances, intervene actively in management by making certain business acts dependent on its consent. The Supervisory Boards in the enterprises of the German coal and steel industries consist of three groups of members, namely: five representatives of the shareholders and five representatives of the workers - thus two parties are equally represented on the Supervisory Board, and one neutral person, on whom the representatives of the workers and of the shareholders agree.

The representatives of the workers on the Supervisory Boards of these enterprises consist of three different groups.

- Two representatives of the workers in the plant who are suggested by the works council; the manual workers and
clerical workers represented in the works council

hand in one proposal each on which separate votes are
then taken so that each group is represented by one
member in the Supervisory Board. The trade union concerned
and the DGB (German TUC) may, however, object against
a candidate proposed by the works council if there are
justified grounds for the assumption that the proposed
candidate will not be in a position to fulfil his respon-
sibilities in the Supervisory Board.

- two representatives of the trade unions represented in
that enterprise who are nominated by the head organisations
of these unions after consultation with the works council;
in most cases one of these two members will be an employee
of an industrial union that is represented in the plant,
and the other member will be an employee of the DGB.

- One representative of the public interest. He must not be
employed in an organisation of either the employers or the
workers. In most cases, he will be a civil servant, a
scientist, or a member of a fiduciary profession.

This composition of the Supervisory Board ensured that
allowance is made for the different interests of the workers and
of the public; the interests of the workers in the plant, the interests and outlook of the trade unions and the representation of the public. If all members from the workers' side came from the plant, there would be a danger of 'plant-egostistical' activity, i.e. of an activity concerned with the interests of that particular plant only; if, on the other hand, the trade unions were to nominate all the workers' representatives, it would be more difficult to take into account the special concerns of the workers in the plant.

Outside the sphere of the coal and steel industries, the workers provide, in enterprises with more than 500 employees only one third of the members in the Supervisory Board according to the Factory Constitution Act; this one third is directly elected by the workers of the plant.

c) The Executive Board (or Board of Management)

It runs the business at its own responsibility and thus exerts the by far strongest influence on the business policy. The strength of its authority results mainly from the following facts:

- The Board of Management controls the administrative apparatus and is in possession of extensive information concerning the enterprise.
- Many shareholders commission their banks with the exercise of their votes at the general meeting. Since the banks, in their capacity as creditors, are interested mainly in good contacts with the board of management, they usually give their consent to the proposals of the Board of Management.

- The members of the Board of Management knew each other well and form, if necessary, a joint front against the Supervisory Board.

In the enterprises of the coal and steel industries, but not in those of other branches of economy, one representative of the workers, the Labour Director, sits in this important body beside two other members. The Labour Director thus holds one of the leading positions beside the Technical and the Commercial Director. He is always responsible for social matters and matters concerning the staff.

Under the heading social matters and matters of the staff, the following tasks are usually combined: Salary and wage policy, all matters concerned with employment, annual holidays, dismissals and giving of notice, social welfare including old age pensions, factory hygiene, factory canteens, factory-owned flats and houses,
houses, factory-owned kindergartens, matters of rationalisation, and prevention of accidents. Due to the responsibilities handled by the Labour Director, he becomes the strongest factor within the right of co-determination by workers for it offers the greatest possibilities for influencing planning and decisions.

The success of Labour Director in Germany depends mainly on his ability to fulfil management tasks in the enterprise. In this capacity, he cannot, in the first place, be the representative of all wishes of the workers but he must, in the first place, be a manager in the enterprise. Nevertheless, he cannot deviate too far from the workers' interests for the strength of his position on the Board of Management depends on whether he succeeds in gaining the consent of the works council and of the workers' representatives in the Supervisory Board so that he will be backed by their support.

**THE WORKS COUNCIL**

Works Council is not a management body. On the contrary, it is a body which was created to represent the interests of the workers. Members of the works council are elected by all workers but by manual workers and clerical workers separately. Its formation is prescribed
by the Factory Constitution Act of 1952 - even for those enterprises
which are subject to the Co-determination Act for Coal and Steel
Industries of 1951.

It is of outstanding importance for the success of workers'
co-determination in the coal and steel industries that the represen-
tatives of the workers who are sent into three different institutions, i.e.
the members of the works council, the labour director, and the workers
in the Supervisory Board, co-operate closely. The works council, for
instance, often needs the labour director in order to successfully
handle certain matters for the workers. The labour director himself
will have a much stronger position in the Board of Management if he
is backed by the workers' representatives in the Supervisory Board.
On the other hand, he can supply the workers' representatives in
the Supervisory Board with informations and can see to it that the
Board of Management implements the decisions of the Supervisory Board.
The trade union has no direct influence on the election of the works
council members. Its rights of co-determination vary:

In Social Matters - the management of an enterprise cannot
take any measures against the will of the works council. This would,
for example, apply to the beginning and the end of the working hours,
holiday schedules, vocational training, method of payment etc.

In the matter of Staff i.e. questions of recruitment of workers, dismissal, re-grouping, transfer etc. - the management of an enterprise has to inform the works council in time. However, only in very serious cases can it change the decision of the management.

In economic matters - the management of an enterprise need only inform the works council. This information is given to the economic committee where the works council cannot, however, influence the economic decisions of the management.

Thus, the German workers were not yet able to gain rights of co-determination outside the coal and steel industries in regard to decisive questions of business policy, particularly in regard to economic matters. They are not represented in the Board of Management and in the Supervisory Board the representatives of the shareholders are in the majority and hardly dependent on the consent of the workers' representatives. The representatives of the shareholders often take their decisions before the meeting of the Supervisory Board and thus try to keep all important decisions away from the board meeting.
As a consequence, the Supervisory Board changes from a supervisory and controlling body into a source of information where the workers' representatives cannot really co-determine but where they can only get certain information which the management would otherwise deny them. This position in the co-determination rights of the works council always causes the workers' representatives to fear they will be neglected; a general atmosphere of distrust against management is created and this prejudices responsible co-operation.