

# **The Role of the Labour Manager in Undertakings under Co-management in the Federal Republic of Germany**

by

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*One of the most important features of the Federal German Co-management Act of 21 May 1951 was that it provided for the appointment of a "labour manager", with the same status and powers as the technical and commercial managers, to the managing boards of mining and iron and steel undertakings. At the time when this legislation was enacted, however, although a similar post had been voluntarily created in iron and steel undertakings as early as 1947, it was not clear exactly what the duties of the labour manager would be, since the Act was silent on this point.<sup>1</sup> In the following article Mr. Jungbluth, himself the labour manager of a large German undertaking, describes what these duties have become after several years of practical application of the Act of 1951.*

TO many observers, particularly outside Germany, the concept of co-management as practised in the Federal Republic since 1947 and sanctioned by its laws since 1951 is difficult to grasp. Perhaps it is well, therefore, to begin by pointing out that, so far from being strictly a product of post-1945 politics, the idea had its origin in the economic creed professed by German trade unions before 1933.

## **SOME HISTORICAL CONSIDERATIONS**

As far back as 1928 Fritz Naphtali, in a study commissioned by the German General Confederation of Labour and entitled "Economic Democracy: Its Nature, Means and Purposes"<sup>2</sup>, pointed out

<sup>1</sup> See Wilhelm HERSCHEL: "Employee Representation in the Federal Republic of Germany", in *International Labour Review*, Vol. LXIV, Nos. 2-3, Aug.-Sep. 1951, pp. 207-215.

<sup>2</sup> *Wirtschaftsdemokratie. Ihr Wesen, Weg und Ziel*. Herausgegeben im Auftrag des Allgemeinen Deutschen Gewerkschaftsbundes von Fritz NAPHTALI (Berlin, Verlagsgesellschaft des Allgemeinen Deutschen Gewerkschaftsbundes GmbH, 1928).

that the peace and social well-being of a nation do not depend on its political leaders alone: the wielders of economic power are in a position to thwart government policy at every turn. This was the reason that led the trade unions to demand a voice in economic affairs, feeling that age-old human aspirations for freedom from all forms of servitude, political, social, economic and cultural, could not be met through political democracy alone, but that economic policy, the mainspring of the community, should also be governed by democratic principles. To quote Naphtali: "There can be genuine democracy only when economic decisions are not taken by one side alone but reflect the common will of all economic sectors."<sup>1</sup> The history of the National Socialist movement before 1933 offers abundant proof of the dominant effect with which economic power can be used. Many in Germany have pointed this out, including the present Federal Chancellor, Dr. Adenauer who, speaking on 24 January 1947 in the North Rhine-Westphalia provincial parliament, accused the Ruhr industrialists (i.e. the coal mine operators and other leaders of heavy industry) of having, in the years before 1933, turned the full weight of their economic might to political purposes, at the ultimate expense of the entire German people.<sup>2</sup>

It is not surprising that after the bitter experiences of the 1933-45 period and the suffering of the war years, the trade unions should have pressed their demands with renewed vigour and an inflexible determination to make a repetition of the past impossible. Their respected leader and spokesman, Hans Böckler, expressed their feelings in the following words<sup>3</sup>:

From the very first signs of total collapse we have vowed that this would not happen again, . . . never again must the German worker's ultimate betrayal be the sole reward of his finest efforts.

We must have equal rights in the economic sphere as a whole, not merely in certain economic bodies such as chambers of commerce or industry, and by this I mean representation on the management and supervisory board of undertakings. . . .

The same determination was expressed in a resolution passed by the trade unions congress for the British Occupation Zone, held at Bielefeld from 21 to 23 August 1946, in the following terms:

The nefarious part played by private economic monopolies in the past requires that they be done away with in the future. . . . In many cases it will not be enough merely to break up cartels, trusts and holding companies: instead, it will be necessary to investigate their ramifications, eliminating

<sup>1</sup> Ibid., p. 15.

<sup>2</sup> From the stenographic record of the Fourth Plenary Sitting of the North Rhine-Westphalia provincial parliament held on 23 and 24 January 1947, as quoted by POTHOFF in *Der Kampf um die Montan-Mitbestimmung* (Köln, 1957), p. 19.

<sup>3</sup> POTHOFF, op. cit., pp. 29-30.

any irregularities found, and to place them under state supervision or nationalise them outright. . . .

. . . The trade unions consider it essential that the workers' representatives in the supervisory and management bodies of undertakings should enjoy numerically equal representation with those of the employers. The choice on the workers' side should lie with the trade union committees; however, at least two of the representatives chosen should come from the works council.

Beginning in 1947, and even before the passing of the Co-management Act, the representatives of the workers and shareholders of 27 iron and steel undertakings came together of their free will and took certain measures designed to associate workers in the management process. It was agreed that in each undertaking one-half of the supervisory board (*Aufsichtsrat*) would be made up of trade union appointees and that the top management would include a labour manager (*Arbeitsdirektor*) having equal status with the technical and commercial managers. Like the other two, the labour manager would be appointed by the supervisory board, but on the nomination of the worker members.

The trade unions were aware that co-management at the level of the undertaking would give them only a limited control over the national economy as a whole. Nevertheless, in view of the economic importance of heavy industry, they felt that a significant first step had been taken, which would eventually set a pattern for co-management in other industries. As Böckler pointed out, management must realise that undertakings did not exist in isolation, but were organs of the economy as a whole. As such they could not pursue ends all their own, but must work for the well-being of the community as a whole.<sup>1</sup>

The "Act respecting co-management by employees in the boards of supervision and managing boards of undertakings in the mining industry and in the iron and steel production industry" of 21 May 1951<sup>2</sup>, confirmed these arrangements and gave them a legal foundation. After many statements, discussions and a hard-fought campaign by the trade unions, the Act was adopted by the Bundestag with a large majority and by the Bundesrat unanimously. Thus the first step had been taken towards achieving one of the oldest objectives of German trade unions. The "father of co-management", Hans Böckler, died at the age of 76 a few weeks after the passing of the Act.<sup>3</sup>

The history of co-management in Germany requires a further word of explanation. Whereas in the United States and in Great

<sup>1</sup> POTTHOFF, *op. cit.*, p. 146.

<sup>2</sup> See I.L.O. *Legislative Series*, 1951 (Ger.F.R. 2).

<sup>3</sup> On other features of the Act, see Wilhelm HERSCHEL: "Employee Representation in the Federal Republic of Germany", in *International Labour Review*, *op. cit.*

Britain the "personnel manager" had for several decades been a top management official in most undertakings, particularly in industry, such an official was all but unheard of in Germany. True, in a number of large companies (e.g. Krupp, I.G. Farben and Bosch) the head of the personnel department had for some time past been a "manager" in title, but neither his duties nor his rank could be compared with those of a personnel manager in the true sense. In other undertakings, the personnel department usually was (and still is, in undertakings other than those under co-management) part of the so-called "general administration" division which reports to the commercial manager. In some cases the latter also has under his authority a "welfare" department, while other aspects of personnel work, i.e. accident prevention, wage fixing and in some cases occupational health matters, are handled by departments reporting to the technical manager. Therefore, when the trade unions urged that, in addition to the technical and commercial managers, there should be an official of equal rank to deal with labour matters and human problems in the widest sense, they were paving the way for an entirely new management concept.

To forestall an objection frequently raised, it should be made clear at the outset that the labour manager, as soon as he is appointed, severs all formal trade union ties. He may no longer receive instructions from, nor assume obligations towards, the unions. Henceforth, he sits on the other side of the bargaining table. This, of course, need not prevent him from maintaining his former sympathies.

#### THE WORKING OF SUPERVISORY BOARDS

Most supervisory boards set up in accordance with the principle of co-management can look back on years of experience: ten in the iron and steel industry, and seven in the case of mines. It is significant that, despite press attacks from uninformed quarters, persons with direct experience as shareholders' representatives on the boards invariably speak in praise of the system. The workers' representatives approach their duties with conspicuous zeal and enthusiasm, and the practical knowledge of production processes, conditions in undertakings, and the working environment acquired by them in the course of their own employment stands them in good stead. Moreover, by becoming familiar with the plans and commitments of the undertaking, they are able to develop a long-term outlook which in turn has favourable repercussions on the day-to-day activities of works councils (from which most of them came originally).

Each supervisory board is composed of 15, 17 or 21 persons of which the Co-Management Act requires seven, eight or ten, as the

case may be, to be nominated by the workers in agreement with the appropriate trade union (in this case the metalworkers' or the miners' union) and the German Confederation of Trade Unions. On the basis of these nominations, the representatives are elected by the general assembly of shareholders. Those for the workers' side usually include two (or three) wage earners and one salaried employee from the undertaking, two (or three) persons from the trade union representing the industry, and one (or two) from the German Confederation of Trade Unions. The union representatives are usually experienced men with a technical, commercial, economic, business or legal background. In many cases the German Confederation of Trade Unions also designates a management official from one of the German trade union banks as financial adviser. The common objection that the trade union representatives are "outsiders" and hence unqualified to discuss the problems of the undertaking, has proved completely unfounded. The fact is that most, if not all, of them are former wage earners or salaried employees drawn from the industry itself and as such have first-hand knowledge and experience of the problems at issue. In addition, as trade union officials, they are close to the working masses, paying frequent visits not only to the company on whose supervisory board they sit but to others in the industry as well. Finally, they are in a position to counteract any tendency on the part of the workers (as well as of the management) to think primarily in terms of company interests rather than to be guided by those of the economy as a whole. Thus, through a combination of sound technical knowledge coupled with a concern for general economic stability and the prevention of crises, the workers' representatives have come to exert a healthy influence on the working of supervisory boards, where they constitute a needed counterweight to the often one-sided outlook of the shareholders.

It was they who, during the investment craze which followed the immediate post-war period of reconstruction, currency reform and dismantlings, put a damper on the ambitious expansion plans of many iron and steel companies. Fearing a crisis and its harmful effects on job security, they urged that any capital expenditure should be aimed at the rationalisation of existing plants rather than unreasonable increases in productive capacity. How right they were has been amply shown by the recession of last spring.

Moreover, the information on company operations to which the worker and trade union representatives now have access often enable them to gauge situations more realistically than they could do otherwise. This is undoubtedly one of the reasons why the major industrial establishments in the Federal Republic, which at one time were among those with the worst labour relations, have since

1945 known practically no instances of serious labour unrest. The difficulties of April 1958 were the result of individual errors of judgment rather than of any deep-seated discontent among the workers.

Each supervisory board has a chairman and a vice-chairman chosen from the two groups. Usually a shareholders' representative is the chairman and a trade union representative the vice-chairman. In such cases, the fifteenth, seventeenth or twenty-first member of the board (the so-called "neutral" member) is chosen by the workers. He is often a local or state government official commanding general respect in the community. Since the chairman evidently occupies a predominant position on the board this system tends to compensate the workers' side and to give them a chance to rally a majority vote. In practice, there has hardly ever been an instance where the supervisory board of an undertaking under co-management has been forced to decide a matter by vote. Every effort is made to reach agreed decisions, and so far as the writer knows this has always proved feasible.

Decisions of the managing board on any of the following matters are subject to approval by the supervisory board : any investment in excess of a certain sum (200,000 marks in many companies); annual closing of accounts and approval of the report of an outside auditing firm ; transfers of real property or equipment ; opening or closing of company branches ; taking up a new line of production or discontinuing an existing one ; closing down a plant department ; engagement, terms of employment and dismissal of managing board members ; standing orders of the managing board and administrative organisation of the undertaking ; engagement, promotion and dismissal of managerial personnel above a specified salary level (usually 1,500 marks per month) and changes in their contracts of employment, granting of procurations, etc.; and permanent social measures involving heavy expenditure, e.g. pension benefits, etc.

Although some adjustment of the above rules has on occasion been found necessary in the interests of efficiency, they have on the whole proved fully workable.

The appointment or dismissal of the labour manager (like that of the other members of the managing board) is decided upon by the supervisory board. Under the Co-management Act, such a decision may not be taken against the will of the majority of the worker representatives. Like any other top management official, the labour manager is bound by the relevant legal provisions, particularly those of the Joint Stock Companies Act. He and his colleagues on the managing board are jointly and severally responsible to the supervisory board—jointly for the operation of the undertaking as

whole and severally for the departments under their authority. Under the law the term of office of managing board members is five years, renewable at will. At present there are about 80 labour managers on 85 managing boards in the industries governed by the Co-management Act (i.e. mining and the iron and steel industry). The difference is due to the fact that five of the managers are employed by combines in which they belong to the managing boards of both the controlling company and a dependent company. This, however, is a purely temporary situation explained by the fact that the appointment of a labour manager to the managing boards of directing companies has only been a legal requirement since 1957.<sup>1</sup>

So far, labour managers have not formed any professional association. They have, however, set up so-called "work communities" (*Arbeitsgemeinschaften*) mainly for the purpose of exchanging experience, and these may be considered as a loose-knit form of association. Moreover, labour managers as well as worker members of supervisory boards are all members of the Hans Böckler Society, which holds occasional meetings for the discussion of topical co-management problems. It may be added that labour managers and workers' representatives on supervisory boards contribute substantially to the "Co-management Foundation" (*Stiftung Mitbestimmung*), which finances scholarships for the more gifted sons of wage earners, salaried employees and civil servants.

Finally, the Iron and Steel Industries Association has established a committee on labour questions, with technical subcommittees covering a wide range of specialised personnel problems, e.g. vocational training, vocational guidance, job evaluation and work measurement, workers' housing, labour statistics, welfare in the undertaking, plant newspapers, occupational health, accident prevention and so on. All of these bodies are placed under the chairmanship of a labour manager. Each does valuable work in its field, and the results find their way into print via the "Labour Affairs Bulletin" published by the Association.<sup>2</sup>

### THE DUTIES OF THE LABOUR MANAGER

As already mentioned, the members of the managing board (usually three in number) are jointly responsible for the over-all operation of the undertaking. Furthermore, each is individually responsible within his own area of authority as defined in the organisational plan of the undertaking. The various production

<sup>1</sup> See *Industry and Labour* (Geneva, I.L.O.), Vol. XVII, No. 1, Jan. 1957, p. 8.

<sup>2</sup> *Sozialwirtschaftliche Schriftenreihe der Wirtschaftsvereinigung Eisen- und Stahlindustrie.*

and subsidiary departments and the technical studies branch report to the technical manager, who is also responsible for the planning and execution of the production programme. The commercial manager has under his jurisdiction the departments entrusted with the keeping of accounts, transactions involving materials and equipment, sales, traffic, and real-estate matters. As for the labour manager, his duties and the plant departments in his charge are itemised below and presented in graphic form in the accompanying chart.

Unlike his technical and commercial counterparts, the labour manager can scarcely rely on tradition to guide him in his work. What he makes of his job will depend largely on his own background and personality, the occupation for which he was trained, his personal sense of values, temperament, and the kind of work he did previously. In the early stages there were in fact notable differences in approach depending on which particular aspect of his work each labour manager chose to emphasise, e.g. welfare within the plant, cultural activities, accident prevention campaigns, wage and salary questions, health and hygiene, in-plant training or scientific management. These differences were undoubtedly of value in that they resulted in a sharing of experience, e.g. through the specialised committees of the various economic organisations. Thus, the more valuable lessons learned by each were put to good use by all, a common pattern gradually emerged and the duties of the labour manager became substantially the same in most undertakings. By way of illustration the following are the six main headings under which they fall in an undertaking with which the author is particularly familiar<sup>1</sup>:

- A. Labour science.
- B. Health and safety.
- C. Personnel administration.
- D. Training and promotion.
- E. Welfare.
- F. Other services.

Each of these main functions is further subdivided as follows:

A. *Labour Science.*

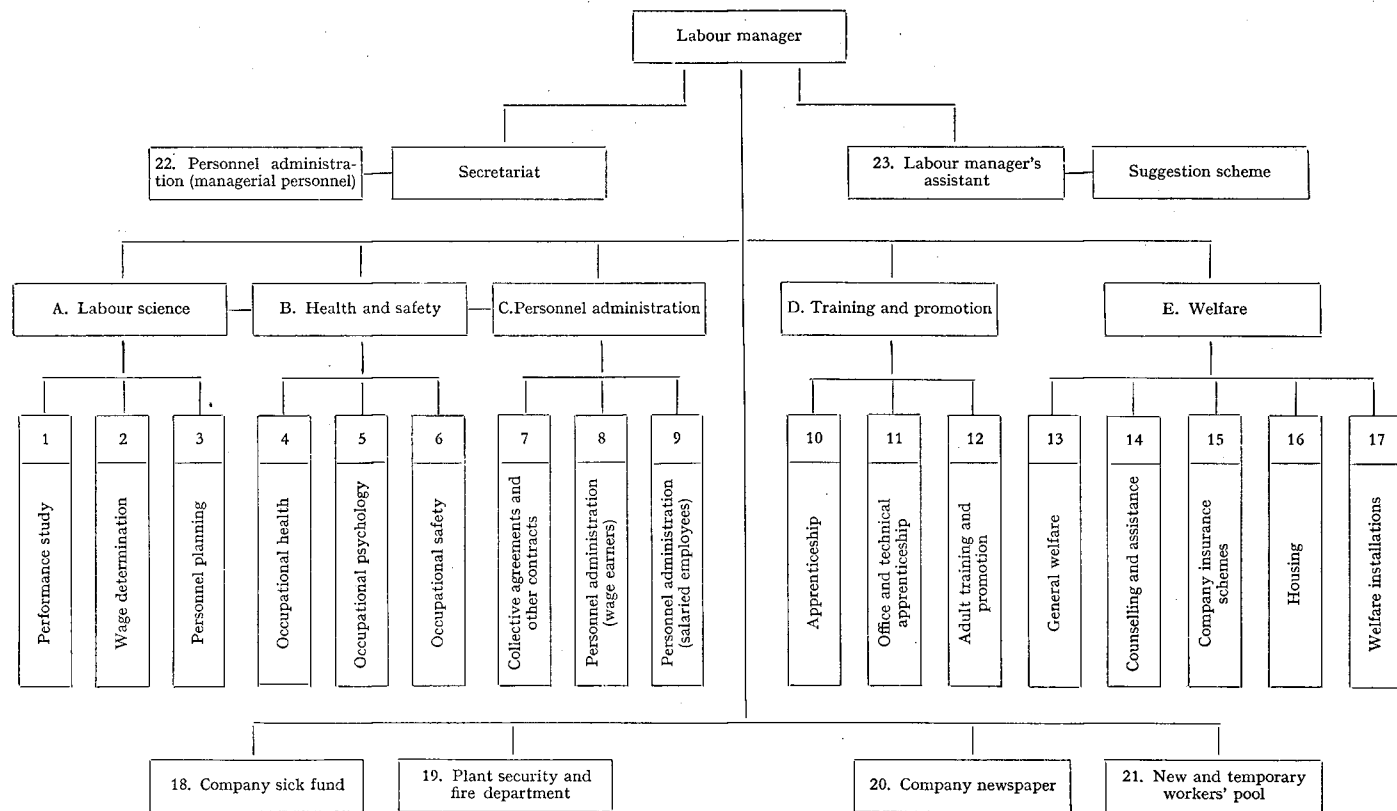
1. *Performance study.* Optimum performance: basic principles and problems; time and motion study; evaluation of output; principles underlying systems of payment by results (wage earners and salaried employees); control of output.

2. *Wage determination.* Remuneration: basic principles; job analysis; job evaluation (wage earners and salaried employees); job description; co-operation in the training of foremen, engineers, etc.

<sup>1</sup> See Adolf JUNGELUTH: *Arbeitsdirektor und Betrieb* (Munich, Verlag Mensch und Arbeit, Robert Pfützner GmbH, 1957).



# ORGANISATION OF PLANT DEPARTMENTS UNDER THE AUTHORITY OF THE LABOUR MANAGER



3. *Personnel planning.* Determination of personnel requirements; manning tables; planning of shifts; employment of the physically handicapped; checking of personnel requisitions.

*B. Health and Safety.*

4. *Occupational health.* First aid in case of accident or sickness; medical examination prior to employment or transfer; hygiene at the workplace; participation in the planning of new plant; job physiology; advising on problems of occupational health; group medical examinations; operation of dispensaries and training of first-aid personnel.

5. *Occupational psychology.* Psychological testing of new employees or apprentices, persons in special jobs, accident-prone workers, etc.; directives for personality rating; training of instructors, foremen and engineers; participation in safety education; working environment (colour, lighting, space); individual counselling; participation in the planning of new premises and installations.

6. *Occupational safety.* Safety directives and instructions; accident prevention measures; inspection of safety installations; control of the risks involved in transport operations within the plant or undertaking; testing and development of safety equipment; study of accident causation; supervision of work with explosives; participation in the training of safety delegates, supervisors, new employees, crane operators, etc.; participation in the planning of new premises and installations.

*C. Personnel Administration.*

7. *Collective agreements and other contracts.* Collective bargaining and works agreements; advice on questions of labour law; legal representation in labour court proceedings; labour statistics; transport to and from work; collection and analysis of literature dealing with labour problems.

8. *Personnel administration (wage earners).* Administrative handling of personnel requisitions, job applications, selection, hiring, transfer, promotion, dismissal, personnel records, holiday schedules, control of absenteeism, etc.; personnel administration of the unassigned workers' pool; assignment of student workers and trainees.

9. *Personnel administration (salaried employees).* The same administrative functions as above, but with respect to salaried employees; job evaluation (salaried employees).

*D. Training and Promotion.*

10. *Apprenticeship.* Participation in apprentice selection; general apprenticeship courses; trade apprenticeship training; works school; trainee programme; vocational retraining; crane operator's school; international trainee exchanges; practice of actual production work.

11. *Office and technical apprenticeship.* Guidance and instruction; successive assignment to different departments; mock business firm.

12. *Adult training and promotion.* Advanced on-the-job training; special courses for technicians and sales personnel; organisation of plant seminars; arrangements for personnel to attend courses on the outside; guidance for individuals wishing to improve their vocational qualifications; encouragement of the able and award of fellowships.

### E. *Welfare.*

13. *General welfare.* Wage advances and deductions ; advice on private housing construction ; construction loans ; cultural facilities ; holiday counselling and travel savings plans ; supervision of canteens run by outside contractors.

14. *Counselling and assistance.* Protection of the interests of the severely disabled ; legal advice on social insurance matters ; representation of workers in their dealings with insurance bodies or social security courts ; interviews by welfare workers ; bedside visits to the sick ; sending of children to holiday camps.

15. *Company insurance schemes.* Old-age benefits ; accident insurance ; settlement of claims ; emergency aid fund.

16. *Housing.* Determination of housing requirements ; housing procurement and construction ; housing allocation ; exchanges of dwellings.

17. *Welfare installations.* Locker rooms and washrooms ; dining halls ; tea and coffee service ; participation in the planning of new premises and installations ; plant library ; rest home.

### F. *Other Services.*

18. *Company sick fund.*

19. *Plant security department and fire department.*

20. *Company newspaper.*

21. *New and temporary workers' pool.* Reception of new employees ; induction courses for new employees ; rating of new employees ; execution of special works projects (landscaping, embellishment of premises, etc.).

22. *Secretariat.* Handles, *inter alia*, personnel matters concerning management staff.

23. *Labour manager's assistant.* Administers, *inter alia*, company suggestion scheme.

It is hoped that the above brief enumeration nevertheless gives a clear and detailed picture of the labour manager's area of executive responsibility (as distinct from his collegiate responsibility as a member of the managing board). Broadly speaking, the purpose of the entire scheme is to strike a constructive balance between the claims and expectations of both labour and management.

The undertaking has an economic and a social function to perform both within itself and in the community. This means that the individual worker must be considered neither as a mere element of cost nor as a helpless object of well-meaning solicitude : the purely sentimental approach is just as wrong as the purely materialistic. It is essential both to the undertaking and to the worker that their mutual relations be organised on a sound basis, bearing in mind that large modern undertakings have very little in common with those of an earlier day when " undertaking " usually meant a handicraft workshop, a shop or a farm.

At present it is impossible to ignore the manifold interests and relationships which, within the intricate context of modern econo-

mic and industrial conditions, must be regulated by statute, contract, collective or company agreement, or other standard-setting process. As Schelsky points out <sup>1</sup>, one of the major aspects of the undertaking's social function lies in the fact "that social situations, relationships and obligations, and even conflicts and the means of resolving them, must be sanctioned and crystallised not only by legal instruments but by firmly rooted custom and social usage". Of primary importance in this connection is the fixing of basic wage rates according to sound job evaluation criteria and of additional earnings in direct ratio to performance. Another prime consideration is to create optimum performance conditions by defining the job properly and by finding the right man to fill it. This applies equally to wage earners and salaried employees, and to physiological and psychological, as well as purely technical, job conditions. The safety and health of workers are just as much a part of the employer's social responsibility as their proper training, and the connection between the company's interests and those of the workers is just as close here as in other fields. The same may be said of the proper handling of welfare measures.

#### PRINCIPLES OF PERSONNEL MANAGEMENT

If one accepts the above approach to company-staff relations, it is clear that personnel management will represent a major aspect of company policy, fully as important as sales, production and finance.

It will include all measures designed to create, in co-operation with the entire staff, conditions designed to elicit the best possible performance from each worker individually and from the staff as a whole, having regard to the personal worth of each and the legitimate interests of all.

Thus, it covers a far wider field than what is usually known in industry as "personnel work". It applies to all the functions and activities which have been described above as falling within the jurisdiction of the labour manager. This is personnel management in the broadest sense: it embraces all activities concerned with wage determination, personnel utilisation, occupational safety and health, training and promotion, welfare, social insurance, plant security, information, etc. In the narrower sense in which it is commonly used in industry, however, it covers only the work of the "personnel administration" department and its various branches—collective agreements and other contracts, personnel administration (wage earners), and personnel administration (salaried employees). Its

<sup>1</sup> Helmut SCHELSKY: *Handwörterbuch der Betriebswirtschaft*, 3rd. ed. (Stuttgart, C. E. Poeschel Verlag, 1956), article on "Betriebssoziologie".

work may be briefly described as the implementation, under the instructions of the managing board, of all of the principles whose practical application corresponds to the workers' idea of personnel management. Such principles are naturally an intrinsic part of company policy and their effective application presupposes certain rules which practice has shown to be the following.

### *Consultation of Staff Representatives*

The first rule is thorough consultation of the staff representatives on all personnel problems. Such consultation or, better yet, thorough discussion at an early stage of all present and impending personnel problems has proved particularly fruitful. Regular meetings are held, in the course of which the executive committee of the works council discusses questions of principle with the appropriate management representatives, namely—

(a) The managing board, on particularly important matters. Under the standing orders of the managing board, the labour manager is primarily responsible for the conduct of such conversations, which take place twice or three times a year.

(b) The labour manager and his deputy, for preliminary discussion of major problems, final discussion of important agreements, and settlement of such matters as cannot be satisfactorily cleared up elsewhere. As a rule these conversations take place once a month.

(c) The labour manager's deputy together with appropriate specialists and department heads, for the purpose of clearing up misunderstandings or differences of opinion on routine matters, as well as discussing proposed measures in detail and holding preliminary discussions with a view to the conclusion of agreements.

(d) The appropriate department heads or specialists together with the experts of the works council on given questions, e.g. wages, salaries, manpower utilisation, training, welfare, etc.

Far from being a "necessary evil" such consultations have proved extremely useful, indeed indispensable as a guide for labour managers. The proof of their value lies in the sustained, indeed increasing interest displayed by the participants year after year, in contrast to the many other instances where equally well-meaning efforts have finally come to grief for lack of active support. Another reason for their success is first-hand knowledge of the subject on both sides; this can only be strengthened and improved through continued consultation. The importance of this factor

cannot be overstressed. Fruitful co-operation depends on an objective attitude on all sides, and only he who is fully master of his subject can be really objective. Incompetence inevitably leads to mistrust, a feeling of inferiority, loud and angry words, and the final breakdown of co-operation.

### *Uniformity of Rules and Agreements*

The second indispensable measure is the adoption of uniform rules and agreements covering every eventuality, excluding improvised arrangements, appeal of decisions to higher authority and consequent bad feeling. The adoption of fair and equitable rules of this kind presupposes co-operation on the part of all concerned and must therefore be based on commonly accepted standards. Accordingly we have, in agreement with the works council, based our own plant regulations on the relevant federal and provincial statutes, un repealed pre-war legislation, etc. The most important of these are : works rules ; company agreement ; holiday regulations ; pension regulations ; agreement on the introduction of scientific work study ; agreement on the principles of wage fixing ; various agreements on the introduction of productivity bonuses ; agreement concerning the payment of a year-end bonus ; and company sick fund by-laws.

### *Effective Administrative Procedures*

The third essential is to establish the administrative procedures best calculated to facilitate personnel procurement, selection, assignment, education, further training and general welfare. Every phase of human activity in the plant should be covered. In our company as many instructions and printed forms as were necessary were prepared, not because we like "red tape", but because we believe that fair and uniform treatment of the entire staff, newcomers as well as older employees, can only be achieved through a systematic approach.

It may be mentioned in passing that personnel matters relating to members of the managerial staff whose appointment is subject to the approval of the supervisory board are handled by the labour manager's secretariat, which keeps the relevant files in a safe.

Mention should also be made of other administrative functions, e.g. the keeping of general personnel (perforated card index) files, job registers, individual progress records, recommendations for promotion and other personnel documents covering the worker's entire period of employment up to his final separation interview.

*Prompt Despatch of Business*

The fourth important rule is to apply administrative procedures in such a way that the company can meet its production targets.

Both the management and the works council attach great importance to the proper observance and application of the prescribed administrative procedures.

Guided by the principle of delegation of authority the managing board gives the appropriate technical committees wide scope for independent action and confines itself to exercising broad supervision, reserving the right to review the decisions of these bodies in certain cases. It is a tribute to the soundness of the system that such cases have been very rare in practice. This, of course, does not mean that individual workers or members of the management cannot of themselves ask for the review of decisions: this does in fact happen from time to time. On the whole, both the works council and those technically responsible for company operations have punctiliously observed the agreed procedures, with happy results.

*Clear Definition of the Rights of the Parties*

The fifth fundamental rule is that the rights of the parties should be clearly defined, leaving no room for vague, informal commitments dependent entirely on the goodwill of the other party.

Many examples of the practical application of this principle could be quoted.

One of them is wage or salary determination based strictly on two factors—

(a) For basic rates, job evaluation criteria as fixed by collective agreement (wage earners) or by reference to the "12-group classification" (salaried employees).

(b) For bonuses, productivity (using coefficients commensurate with the powers of each to influence it). Rules for the application of this principle are fixed by the company agreement.

With this system, the most important clause in every worker's employment contract—that concerning his remuneration—rests on a clearly established right: the wage proper is governed by comprehensive criteria laid down in collective agreements and only the productivity bonus is fixed by agreement at the company level. In keeping with the same principle, our company has replaced the traditional Christmas gratification by a year-end bonus based on

productivity and explicitly provided for in collective agreements covering both wage earners and salaried employees. Thus, so far as humanly possible, every subjective or arbitrary element has been excluded from the wage-fixing process.

This description of the present situation does not explain how it came about, nor what was the part played by the labour manager and his assistants in the matter of wage fixing. Actually, it was the labour manager who was responsible for developing the principles used as a guide by the competent departments. After thoroughgoing discussions with appropriate staff members, in the course of which the principles are clarified by detailed instructions designed to facilitate their application in concrete situations, management designates a representative to conduct the wage-fixing negotiations on behalf of the management. The same person also represents the company vis-à-vis the Lower Saxony Metallurgical Industries Association, of which it is a member, and as such finds himself negotiating with the Hanover area section of the German Metalworkers' Association.

In the Ruhr area the negotiations take place between the Iron and Steel Employers' Organisation and the appropriate regional section of the German Metalworkers' Association. The negotiators for the employers' side are made up of labour, commercial and technical managers in equal proportion. They are chosen by the general assembly of the employers' association, where the management of each undertaking is represented. In the course of the bargaining, which is often quite lively, the labour managers exert a moderating influence; the latest instance of this occurred during the wage dispute of the spring of 1958. In the mining industry, on the other hand, similar efforts by the labour (and commercial) managers have so far proved ineffectual against the staunch conservatism of the technical managers.

As regards wage-setting within our company, a procedure ensuring fair and equitable treatment of all employees, while respecting the provisions of collective agreements and of the Works Constitution Act, has been developed at the initiative of the labour manager. Its application has been entrusted by him to the personnel administration division and the performance study department. Each employee is paid according to the demands of his job. The performance study department keeps a card file with particulars of every job in the undertaking (about 1,500 in all) including the number of points at which it is rated. The rating (and hence the wage) for the job is fixed once and for all by agreement between the management and the staff representatives, so that the works council need not be consulted each time that a new worker is assigned (or transferred). Of course, a different procedure



applies when there is a change in job content or when a new job is created, e.g. in case of an expansion of the plant, or for any job not covered by the normal production programme. In such cases the performance study department makes a proposal for the evaluation and remuneration of the job, which then goes to the joint committee on wages, consisting of equal numbers of representatives of management and of the works committee, for final decision. This procedure, which has been found satisfactory so far, involves considerable delegation of authority by the labour manager to his subordinates.

Now that we have shown how the principle under discussion—the definition of workers' rights in clear terms—is applied in the all-important area of wage fixing, little need be added, save perhaps to mention that old-age benefits have the same sort of unequivocal sanction in nearly all iron and steel undertakings, and that such matters as the provision of uniforms for fire-fighters, plant security personnel or automobile drivers, safety clothing for the workers, the operation of suggestion schemes, etc. are covered by company agreements, leaving that much less scope for reliance on the employer's generosity. We try nonetheless to keep perfectionism within reasonable bounds.

No doubt methods placing such heavy stress on formal machinery may seem impersonal and mechanistic by comparison with the shoulder-slapping ways of the paternalist era. But it may well be asked whether such romantic notions are not as absurd in a modern industrial context as, for example, the idea that the thousands employed in a large factory of today still form "one big family".

#### *A Reasonable Degree of Centralisation*

The sixth and final rule for sound labour management is the need to ensure that administrative centralisation of personnel work, though inevitable, does not drive a wedge between the workers and their immediate supervisors, who are ultimately responsible for the execution of company policy.

Supervisors are very close to their workers and have an intimate knowledge of their living and working conditions. Nothing, therefore, could be more dangerous than to tamper with this relationship and try to confine it to purely material or technical matters, leaving the rest to the administrative machinery. We are careful always to consult with the supervisory staff on matters of personnel selection and engagement, job evaluation, payment by results, and on personal problems such as wage advances, housing, etc. On the other hand, we make it clear to them that

administration as such is not a part of their functions, and we see to it that they do not take decisions on their own initiative in disregard of company policy.

### THE IMPORTANCE OF TRULY HUMAN WORKING CONDITIONS

Progressive management has long been aware that good working conditions are an indispensable prerequisite for a good performance, both qualitative and quantitative. Practically anyone with management experience knows that, from this point of view, a clean workplace is preferable to a dirty one, an imaginative colour scheme to drab monotony, good ventilation to a confined atmosphere and a bright, well-lit workshop to a dim, dark one. Yet, these problems still receive far too little attention in some undertakings. They must be a subject of constant attention if any progress is to be achieved, and this is why some labour managers have prevailed on management to consult them whenever the planning of large new installations or the purchase of major items of equipment is contemplated.

In our company we have set up a so-called "labour science team" consisting of the plant medical officer (on questions of health and hygiene), the assistant medical officer (on job physiology), the plant psychologist, the safety engineer and the labour manager's engineer-assistant. The head of the building department, the director of training, the engineer in charge of personnel planning and the various department heads also collaborate as required.

This form of co-operative action has produced valuable results, as evidenced by improved health, fewer accidents, and increased productivity. Apart from the planning of new installations, human considerations of the same order apply to the transformation of existing ones. The systematic detection of safety hazards as well as special measures such as, for example, an eye examination for the entire staff, provide useful guidance for future action. Nearly all labour managers devote their special attention to accident prevention. Many experts, even in the United States, express amazement at the success of technical accident prevention in the West German iron and steel industry. As for the future, the main task lies in the educational and psychological field, where we realise that undertakings in the United States are still far ahead of us. Nevertheless, we can point with some pride to the fact that, in most undertakings under co-management, accident frequency over the past ten years, whether measured in terms of tons of steel produced or hours worked, has decreased by one-half to one-third. Similarly, the health of the workers is improving steadily. Thanks to annual collective X-ray examinations the number of cases of incipient

tuberculosis or heart disease in the industry has declined sharply. Today, it is among those with the lowest sickness rate. The widespread fears which greeted the passing of the law providing for continued payment of wages in case of sickness have proved groundless. At present the sickness rate varies between 3 and 5 per cent. of the labour force. These low percentages, for sickness as well as for accidents, amply justify the amounts spent by undertakings on accident prevention and occupational health programmes.

As for objections occasionally heard concerning the amounts spent on general welfare work in undertakings under co-management, the answer to them is simply that while the expense involved is actually no greater, the work itself is more effective than in other undertakings of similar size, thanks to the methodical manner in which it is organised, the scientific basis on which it rests and the vast powers which the labour manager, as a member of the managing board, has at his command.

#### WELFARE IN THE UNDERTAKING

It is often argued that in undertakings with labour managers, the expenditure on "welfare" activities is inordinately high. The fact is, however, that practically everywhere labour managers have taken up an extremely cautious attitude in the matter.

We consider that paternalistic beneficence has no place in a modern undertaking. Welfare work is not to be confused with charity or almsgiving: far from leaving the individual tied to, and dependent on, the employer, its ultimate goal must be to bring about a situation where there will be no further need for it. Action to promote the welfare of workers is part and parcel of the activities of the undertaking and of its staff, and the expenditure involved is therefore an integral part of production costs. If only for this reason, it should not be allowed to grow disproportionately, but should be restricted to cases of clear necessity. Any exaggeration tends to create an unhealthy link between the worker and the undertaking and to prevent his emergence as a free, self-confident and independent human being.

Moreover, there are situations in which an individual can accomplish nothing if left to his own devices and where help from the state or local authorities is either unavailable or inadequate. Housing construction is an example. Even though we do not consider that it is part of an iron and steel undertaking's job to build dwellings, circumstances over the past few years left us no alternative compatible with company interests.

The best way to ensure the welfare of the workers in the undertaking is to adopt a wage system generally accepted as fair and

equitable. For the rest, the undertaking should confine itself to encouraging self-help on the part of the workers, to providing the most satisfactory possible working conditions, and to lending assistance in cases of genuine need.

#### A WORD CONCERNING THE "PSYCHOLOGY OF THE LABOUR MANAGER"

It is often alleged that the labour manager has a dual allegiance, that he is a man "with a foot in both camps". It is felt that his duties involve a basic contradiction, in view of his simultaneous obligations to the staff and to the management. However, the present Joint Stock Companies Act, which is more than 70 years old, obligates the management of any joint stock company to serve not only the interests of the undertaking and of its staff, but also those of the community at large (i.e. the national economy).

With particular reference to the labour manager, the following considerations apply.

As numerous inquiries have shown, the view is widely held—and quite logically—that the first duty of the employer towards his workers is to guarantee their livelihood and the second to ensure good working conditions. But what do long-term job security and good working conditions ultimately depend on? Solely on the undertaking's efficiency, competitive ability and imperviousness to crises, based on rational organisation and high-quality output.

What then, on purely economic grounds, can primarily be expected of a good company manager? Continuous striving for improved performance, rationalisation of methods and increased efficiency, so as to strengthen the undertaking's competitive position and its ability to withstand crises.

Thus, in the long run, the interests of both sides merge, even though on a day-to-day basis there may be clashes between what the workers want and what the undertaking can offer. The labour manager is, of course, a management official and as such must rise above day-to-day contingencies. This may occasionally lead him to oppose unreasonable claims outright, in the name of a higher interest.

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