Chapter 4

SOCIO-TECHNICAL SYSTEMS IDEAS AS PUBLIC POLICY IN NORWAY: EMPOWERING PARTICIPATION THROUGH WORKER-MANAGED CHANGE

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Nowhere are ideas about Socio-technical Systems (STS) design of work taken more seriously than in Norway. Three of the Norwegian public policies aimed at democratizing working life rely significantly on STS ideas first developed by the Norwegian Industrial Democracy Program (NIDP) more than two decades ago (Bolweg, 1976; Emery & Thorsrud, 1976; Herbst, 1976; Qvale, 1977; T. Sandberg, 1982). In Norway, the evolution of these ideas since that time (Elden, 1979, 1985b; Gustavsen, 1983, 1985; Thorsrud, 1984) has supported—and, more importantly, been supported by—additional labor legislation and innovative industrial relations policies aimed at democratizing working life (Gustavsen & Hunnius, 1981). This chapter summarizes these ideas about STS and the democratization of working life in Norway by presenting a model of concrete practices, refining the model by comparing it to reports of similar kinds of work democratization efforts in other countries, and assessing STS’s promise as a practical policy guiding strategies for democratization and national development.

STS concepts offer one way of addressing democratization and the development of parity of power and democratic values in working life. The techniques of STS do not make democracy in the workplace inevitable; indeed, as these techniques become more widespread, they appear to become divorced from democratic values. The problem does not stem as much from engineers becoming technocrats or from social scientists becoming “sociocrats,” as it stems from job and organization design specialists becoming “sociotechnocrats” (Herbst, 1976, 1984). This situation differs vastly from the vision shared by the architects of the NIDP—such “founding fathers” of STS as Emery, Herbst, Thorsrud, and Trist, among others—who considered work organizations to be on the “leading edge” in eliminating the domination of the few over the many, and who believed that democratizing work could lead to the democratization of other social institutions such as school and families. Put simply—perhaps too simply—according to this view, autonomous groups at work could lead to more participatory democracy in society at large (Elden, 1981; Emery, 1969; Hunnius, 1979; Pateman, 1970).

The evolution of STS theory and its impact on public policy in Norway during past decades presents an unusual opportunity to explore STS and its values and the ways they have provided a basis for policy—both public and private—promoting participatory democracy.

STS IDEAS AND EMPOWERING PARTICIPATION AS PUBLIC POLICY

Researchers in the NIDP in the 1960s drew on basic STS ideas originated at the Tavistock Institute in London in the 1950s and invented new conceptual tools. At least three important public policies affecting Norwegian industrial democracy during the past 25 years have roots in STS theory and concepts.

In 1977, Norway passed an innovative law affecting the work environment (Gustavsen, 1983; Gustavsen & Hunnius, 1981). The law’s unique provisions affecting job design come
directly from STS criteria. Specifically, the law’s “paragraph 12” seeks to outlaw alienating and
dehumanizing labor by improving social and psychological working conditions, or the Quality of
Working Life (QWL). The law also mandates company QWL councils charged with studying,
planning, and carrying out QWL improvements. One of the important objectives is self-study
and self-managed change at the local level. This makes participation a means of empowering
workers to study and change their own work places. Such participation empowers workers to
increase their control over their own work places.

In 1982, the Norwegian Trade Union Confederation (LO) signed a national agreement
wit the Norwegian Employers Association (NAF) to increase union-supported worker
participation in management decision making, particularly n decisions affecting labor-
management company development programs (Gustavsen & Engelstad, 1985). The LO-NAF
company development fund explicitly supports participatory planning and employee-controlled
work design or redesign efforts (Elden, 1985b). Although by 1985 the program had barely left
its formative stage, by that time more than 150 companies had already become involved in it. Its
aim clearly is to support “do-it-yourself,” employee-managed change; the LO-NAF funds cannot
go to consultants. Such participation empowers persons to change their own work situations.

The third example of Norwegian public policy building on STS ideas is an official
government inquiry by a special commission addressing the further democratization of industry.
This commission emphasizes direct forms of participation in the work place and has
recommended that further democratization be a national industrial development strategy. Such
democratization should promote direct participation—direct empowerment through
organizations promoting autonomy—which should increase workers’ involvement and learning
and promote more effective use of human resources. According to the commission, if workers
have more influence on the decisions directly affecting them, this will benefit a variety of
stakeholders. Such empowering participation enhances both industrial democracy and industrial
development.

These are not the only public policies aimed at promoting democracy in working life.
Other Norwegian legislation has placed workers on company boards, and Norway has an
unusually cooperative and comprehensive system of trade union representation (International
Labor Office, 1984). Nearly everyone in Norway seems to belong to a trade union, professional
association, or other bargaining unit. The three policies discussed above share an emphasis on
increasing workers’ direct control over their own work places—that is, the development of
autonomy-based work organizations. This approach stems from such STS ideas as autonomous
ways of organizing tasks, cooperative labor-management change processes, and humanistic-
democratic values.

If one phrase were used to summarize the evolution of STS ideas in Norway as the basis
for public policy on democratizing working life, that term might be “empowering participation.”
Empowerment, obviously, is not a neutral word. As used here, it does not refer to power
possessed by everyone under any conditions for any purpose. Rather, I use it to refer to persons
gaining greater control over their own lives. Such empowerment is not unlimited, but is self-
limiting. What one person considers empowerment, another may consider oppression. Raw
empowerment in the absence of democratic values could be synonymous with autocracy or
tyranny. Participation without empowerment, however, would be synonymous with cooptation or manipulation.

Psychologists have long addressed empowerment as a psychological phenomenon on the individual level (Kieffer, 1981). This chapter deals with how empowerment can occur in particular types of organized settings: work places. STS theory holds that autonomy-based work organizations allow workers to learn how to act efficaciously in their interests without acting selfishly.

Between STS theory—and empowering participation at work—and increased levels of political efficacy and participatory democracy in and beyond the work place exists a gap that is large, complex, and confusing (contrast Elden, 1981, and Pateman, 1970, with Greenberg, 1983, and Levin). All design and redesign of the work place and efforts at improving QWL rely on workers’ participation, but not all participation in QWL efforts need be empowering. How can one tell if participation in STS-based QWL efforts is likely to be empowering?

One way to address this question is to classify QWL projects in terms of power, specifically by determining how much emphasis such an effort places on autonomy and self-management in relations based on tasks compared to its emphasis on social relations and “team feelings.” Variables of power and task control tend to correlate with political attitude and activity variables even outside the work place, whereas indices of social relations, work satisfaction, and “good feelings” do not (Elden, 1981a, b). This means that efforts at improving QWL can either be humanizing, democratizing, or both. Humanistic QWL allows persons to feel more involved in the work place, feel better about their colleagues, feel accepted, and the like without making any change in their relations with authority toward greater parity of power and autonomy. Under these circumstances, increased participation implies both decreased empowerment and improved QWL.

This finding is consistent with those of other research showing that increased participation—that is, greater involvement of workers under conditions of openness, trust, and free exchange—in circumstances in which two systems have unequal amount of power actually increases rather than decreases the differences in power (Braten, 1973; Dickson, 1982; Muldern, 1971). In such cases, participation preserves the unequal distribution of power in favor of the powerful; it does not empower the relatively powerless. Such “pseudo” participation (Pateman, 1970), or cooperative participation, contrasts with empowering participation and is most evident in circumstances characterized by deep conflicts of interest and values. For participation to be empowering under these conditions, participation requires parity of power (see Table 1). Work reform in Norway aims to democratize more than humanize the work place. It aims to empower participation.
Table 1
Different Consequences of Participation Under Different Conditions

<table>
<thead>
<tr>
<th>Power structure</th>
<th>Converging interests and values*</th>
<th>Diverging interests and values**</th>
<th>Best outcome of combinations</th>
</tr>
</thead>
</table>
| **Unequal: Unilateral control** | When combined with unequal power structures produce paternalism and cooptation | When combined with unequal power structures produce problem solving and conflict management | - Job satisfaction  
- Humanization |
| “top-down” decision making  |                                  |                                  |                             |
| hierarchical authority structures |                                  |                                  |                             |
| **Equal: Multilateral control** | When combined with equal power structures produce joint planning and decision making by consensus | When combined with equal power structures produce negotiation and mutual accommodations | - Empowerment  
- Democratization |
| countervailing powers and negotiated order |                                  |                                  |                             |
| autonomy-based organization |                                  |                                  |                             |

* Converging interests and values occur when no deep conflicts exist over values and a model of “love and trust” prevails.
** Diverging interests and values occur when deep differences in values exist and a model of “power and conflict” prevails.

EMPOWERMENT AS STRUCTURE AND PROCESS

The development of STS ideas in Norway has undergone several “generations” or major phases. The first generation—evident during the 1960s—aimed to empower workers by installing more self-managed forms of work, that is, through “empowerment as structure.” The next generation, evident during the 1970s, aimed to empower workers by making the process of generating the structure itself more worker-managed, that is, through “empowerment as process.” Both processes equally address STS and empowering participation, but from different, though mutually supportive, perspectives. These efforts solidified during the 1980s, and over the past decade they have reached out to more fully empower citizens as a whole, not just in the workplace.

Empowerment as Structure

Four STS-based field experiments conducted by the original NIDP (Bolweg, 1976; Emery & Thorsrud, 1976; Qvale, 1976; T. Sandberg, 1982; Thorsrud, 1984) extended the original work of the Tavistock Institute by demonstrating that autonomy-based forms of work organizations can exist under different organizational and technological conditions in quite different industries. Although numerous alternative forms of autonomy-based organization exist (Erbst, 1976), according to this generation of STS ideas, empowerment was seen as participation in a particular form of organization: the autonomous work group. The experiments conducted by the NIDP were technically successful in demonstrating “organizational choice,” but little
diffusion generally occurred, and only limited indications showed organizational learning in and among the companies that were subjects of the experiments.

Assessing the reasons for such limited diffusion and learning is beyond the scope of this paper, but I will point out a contradiction noted by researchers in the early 1970s. The manifest goal of the change efforts based on first-generation ideas was to change organizational structure from a hierarchical, centralized form to a more self-managed, autonomy-based form. The change process itself, however, was based on a model of hierarchical organization and expert authority. If this process provided a source of learning, then participants likely learned not self-management, but another form of submission to “higher authority.” The first-generation change agents provided the model of a nondemocratic organization even as they attempted to install democratic organizations. Democratizing the change process itself was thus considered one means of improving diffusion and learning.

Empowerment as Process

During the 1970s, a variety of methods of participatory research were developed (Davies, 1983; Elden, 1985b; Gustavsen, 1985; Gustavsen & Engelstad, 1985). The common purpose of these methods was the creation of ways in which workers could study and change their own organizations. Participation has, of course, long been recognized as a powerful means of overcoming resistance to change. Even pseudo or co-optive participation has been found to have powerful effects on participants (Blumberg, 1968; Dickson, 1982; Pateman, 1970).

For the first time, however, inquiry and change were controlled by participants rather than by those representing a higher authority—that is, by higher-level managers or socio-technocrats. The process of inquiry, learning, and self-study can empower participants because it creates new definitions of what is possible, new explanations of why things are as they are, and, therefore, new possibilities for action. Participative research is thus a means of empowerment (Brown & Tandon, 1983; Elden & Taylor, 1983; Hall, 1975; Levin, 1986).

A Norwegian project conducted in the mid-1970s particularly demonstrates the importance of deciding who will analyze the workplace. Odegaard (1983) helped train a group of internal “experts” to analyze the working environment of a department of their company. Later, workers in the same department received the same training. Comparing the experts’ and workers explanations of the causes and effects of what happened in the workplace indicated that the workers and experts had significantly different explanatory frameworks. The experts, for example, failed to see the organization as the cause of any problems, even of any social/psychological problems, whereas workers attributed more than half of the problems related to the sociopsychological environment of the organization itself. Obviously, then, workers would seek to improve their QWL by making changes quite different from those the experts would recommend.

This indicates that workers may have different explanations or “theories” about their situations than outsiders have. Workers work directly from “insider knowledge” (Evered & Louis, 1981). Such knowledge is rich with implicit possibilities for action, but remains fragmented and tacit unless systematically brought forth. Workers as individuals have partial and latent explanations related to their work places. Alone, each worker fails to see the whole
pictures and tends to make incorrect or incomplete attributions of cause and effect—demonstrating “pluralistic ignorance”—and this leads individual “causal maps” to remain isolated, fragmentary, and unused.

By involving workers in a process of participatory research, change efforts allow individual causal maps to surface and become integrated with others to create a more complete, locally grounded explanation of the workers’ situation. This explanation is called “local theory,” in contrast to more general, abstract, or “context-free” social science theory. Projects conducted in Norway have shown that workers tend to have maps or local theories about their work places that are more complex and sophisticated than the theories of either their managers or of external experts (for examples, see Elden, 1983). Workers, however, tend to lack the authority necessary to develop “local theory” or act on it. Conversely, managers and experts have the authority to act, but not the detailed, practical, “insider” knowledge necessary for effective change.

One solution to this dilemma is to organize the process of inquiry and change to develop methods allowing workers to study and change their own organizations. This allows empowering participation that lets workers generate knowledge useful for action through participatory research and change. Workers thus empower themselves through collective efforts to produce new definitions of reality and new possibilities for action. Empowering participation as a process rather than as a structure leads to self-managed learning through changing one’s own organization. Workers thereby create their own work place according to their own local theory.

Democratizing the process of organizational change means empowering workers to design and redesign their own work place in harmony with the larger organization as a total system. Empowering participation calls for consciousness-raising and self-managed organizational learning, which necessarily means learning about oneself in relation to others. Herbst’s observation (1976) that the product of work is people is aptly illustrated in the conclusion of a report on one of the more dramatic cases of participatory research and change in Norway, which occurred on the merchant ship Balao:

What is important here is that when you are participating in developing your own organization (in this case of both work and free time), you are also creating your own relationship to other people and your view of yourself and others. You become a product of your organizing (Johansen, 1979, pp. 126-127, emphasis in original).

THE NORWEGIAN APPROACH TO EMPOWERING PARTICIPATION

The work on STS in Norway has returned to the origins of STS itself. We tend to forget that Trist, Herbst, and the other researchers at Tavistock did not invent autonomous groups in the coal mines, but discovered the groups there. The English coal miners invented self-managing groups on their own, yet this invention has proven so powerful it has come to the foreground and been elaborated, extended, and generalized into a highly popular consultant intervention. The workers’ ability to learn and invent, however, has fallen into the background and largely been forgotten. Over the years, thinking in Norway about STS has been a reversal of figure and ground, with interventions moving from a basis of external expertise to one of internal invention.
Empowering participation calls for workers to intervene in their own organization as part of continuous worker-managed learning, which results in workers’ inventing their own organizations and QWL. Democratizing work calls for workers to invent their own organizations. This Norwegian approach can be summarized in terms of a model having the following five main features.

Institutional/Political Support for Democratized Working Life

Such support creates a basis for parity of power and labor-management cooperation within organizations. Although the support of top management is desirable, projects have been carried out by unions acting alone (e.g., Elden, 1985; Levin, 1986). Changes in job design affect multiple stakeholders. The work environment law passed in 1977 mandates QWL councils in all but the smallest companies and substantially enlarges the extends the State Work Inspection Agency. The nationwide LO-NAF agreement made in 1982 with respect to worker participation in company development projects requires company and national labor-management review processes. Management alone is clearly not the only arbitrator of work improvement and democratization efforts.

Conflict and Cooperation

Conflict and cooperation are often viewed as existing at opposite ends of a continuum. This is not so in Norwegian working life. An organization can score either high or low on either dimension simultaneously (Whyte, 1984). Conflicts of interest—such as those about wages—are negotiated while common interests lead to cooperative projects, such as those seeking work improvement. No models of change indicate a simple dichotomy between “conflict” and “harmony.” Effective organizational learning involves both conflict and cooperation as stakeholders work out new meanings and new possibilities for action.

A Vision of the Good Organization

The Norwegian tradition of STS-based action research is highly normative: It aims at democratizing working life. The idea of an autonomy-based organizational structure is at the center of a vision of the good organization (see, for example, Emery & Thorsrud, 1976; Qvale, 1976; Thorsrud, 1984). It is based on alternatives to hierarchy (Herbst, 1976), adaptable to turbulent environments, and characterized by self-maintained organizational learning processes (Thorsrud, 1972). Moreover, democratizing work organizations is a strategic intervention in societal development; the “relations of production” are the leading edge of social change. Thus, change efforts are not limited to efforts within companies, but extend to relations between companies (interorganizational networks) and among work and family life, leisure, education, and community development. A project is developed not just because management is interested in more effective organizational functioning, but also because of the strategic importance of developing a more democratic society (Thorsrud, 1984).

“Do-It-Yourself”—or Participative—Research

Workers have sufficient useful, “insider” knowledge—though it initially is fragmented and tacit—about their work places to be considered practical experts. One need not be formally
trained as a researcher to produce new knowledge and apply it toward changing one’s own organization (Elden & Taylor, 1983).

New Methods of Worker-Managed Inquiry and Change

These new methods employ researchers as “co-learners.” Different, participatory methods assist workers in developing local theory as a basis for local organizational learning managed by workers themselves (Elden, 1985a; Gustavsen, 1983; Gustavsen & Engelstad, 1986). Researchers and consultants are not necessarily irrelevant, but they have new, different roles. Creating new meanings, new definitions of reality, and alternatives for change are no longer exclusively “managerial prerogatives” of researchers or consultants. Experts are no longer the exclusive managers of change, but become co-learners (Elden, 1981) who must surrender unilateral control over the process of generative new meaning.

In short, the Norwegian model aims at democratization in the work place, not just humanization. It seeks democratization through participative action research within an STS framework. Some argue that other elements are necessary (Berstein, 1976), that this approach will not in the long term change power relations in Norwegian enterprises sufficiently to democratize them (Levin, 1986), or that significant democratization of working life is not possible in “market capitalist societies” (Greenberg, 1983). Knowledge of such things as the long-term effects of the Norwegian approach to democratizing working life and the relationship between political democracy and industrial democracy are not yet possible. Norway has, however, a national public policy based on STS theory, and Norwegian policy makers have used STS ideas in formulating public policies supporting the democratization of working life. New thinking in Norwegian research on work and public policy concerning work place democracy are closely intertwined and have been mutually supportive for more than three decades. The further development of STS ideas on empowerment, from that of empowerment as structure (a 1960s view) to empowerment as process, is also reflected in recent public policies. The common theme of Norwegian STS-based democratization policy is one of organization structures and learning processes rooted in and promoting empowering participation.

WORK DEMOCRACY AS EMPOWERING PARTICIPATION: OTHER VIEWS

Is the Norwegian model of empowering participation unique? Descriptions of organization design and redesign projects based on STS ideas abound, as do studies of worker-owned enterprises and other forms of worker control, industrial democracy, and the efficacy of participation. Unfortunately, QWL and industrial democracy appear in the literature as quite separate ideas. QWL projects tend to humanize rather than democratize organizations, and worker-owned enterprises seem little concerned with self-managed work design and democratizing organizational change. The Norwegian model based on STS as a means to democratization is presently neither widespread nor limited to Norway.

Concepts and cases from other countries also differentiate between democratic and humanistic work reform. A review of three such cases—from Denmark, Australia, and Germany—demonstrates that the idea of empowering participation is not limited to Norway. These cases also help develop a more complete and general model of work democracy.
Before discussing the model, I will clarify some core concepts. Participatory research (PR), also known as worker-managed inquiry and change, overlaps with action research (AR) and organization development (OD) with respect to values, the centrality of experiential learning, and the collaborative role of the researcher or change agent. Participation plays a central role in both PR and AR, and both approaches profess similar values. Brown and Tandon (1983) make clear, however, that these two approaches to change differ significantly with respect to how, where, and for whom these values are sought or realized. Each approach has its own ideology and “politics of inquiry.”

Brown and Tandon (1983) note that PR originated under conditions of political oppression in relatively unorganized settings—such as that of peasants living in Third world countries with authoritarian governments—as a way of building basic political resources and power bases. Participant-managed learning and self-organization are the building blocks of political autonomy and liberation under conditions of deep, often violent conflicts of interests and values.

In contrast, Brown and Tandon describe AR as a developmental strategy used primarily within organized settings such as work places within which change occurs through broad consensus on common goals. In such circumstances, AR resembles OD or the humanization of work. Both allow for participation without parity of power. AR inquiry would not occur outside of those areas of consensus permitted by management. Furthermore, AR’s politics of inquiry impedes the transformation of hierarchical authority structures into more democratic structures.

PR, however, defines problems, collects and analyzes data, and uses the results of research to increase the resources of power available to the relatively powerless. Applied to an organization, PR should result in worker-controlled inquiry and change under conditions in which management is not the sole arbiter of new knowledge. In short, PR results in empowering participation and democratization, not just humanization. The Norwegian model of empowering participation represents one attempt to explore the use of participatory research in a work setting. Let us now examine similar attempts in other countries.

A Case From Denmark

Borum (1980) describes a “power strategy” for organization development, in contrast to conventional “communication strategies.” He demonstrates his power resource model by describing a year-long PR project aimed at improving working conditions in a surgical support unit at a large (1,000 beds) Danish hospital. This surgical unit consisted of 21 employees, 17 of whom were nurses—all female—who assisted three groups of surgeons with patients from four wards and two outpatient clinics. Borum’s goal for the project was to help the surgical units more effectively with respect to their own interests.

A key problem was the surgical nurses’ lack of power. They could not get the surgeons to plan operations, for the doctors preferred the status quo of day-to-day, “ad hoc” arrangements that gave them maximum flexibility—and they were powerful enough to maintain this situation. To solve their work load problems, the nurses had to change this power relationship. Unless the nurses had sufficient power to negotiate, their participation in the project would make no sense.
The nurses had several bases of power with respect to the doctors. First, the nurses had sufficient group cohesion and autonomy to initiate activity. Furthermore, they increased their knowledge base by gathering and analyzing operational data that would support their case that better planning would improve the functioning of all units. Finally, they developed coalitions with head nurses in the wards housing surgical patients, explaining that better planning would also benefit these wards. By developing these and other power bases, the nurses eventually won the surgeons’ cooperation.

According to the Norwegian model, Borum presents a case of empowering participation. With respect to Brown and Tandon’s (1983) definition, this is a case of participatory research (PR). A key element in Borum’s case that is not stressed in the Norwegian model is the development of power bases prior to participation. The issue of power parity among participants is a crucial difference between empowering participation and participatory management.

A Case From Australia

Power parity also raises the issue of the role of an expert in helping persons learn to rely more on themselves as sources of expertise in improving their own circumstances. Williams (1982) describes an experiment in an Australian university in which students of organization and management were allowed to choose to self-manage their learning. His data show that even under favorable conditions in which those in authority promote democracy in a socio-technical fashion, not all participants are willing to participate in this process—at least not initially.

Williams developed an STS-based, self-managed learning design to provide students with “direct experience about active adaptation through participative organization democracy” (p. 64). This application of STS is particularly relevant because newer STS ideas deal with the design of self-managed learning systems and “action learning.” In university classrooms, authority is often as centralized and hierarchical as it is in industrial bureaucracies. The professor plays the same role as top management, teaching assistants as middle managers or supervisors, and students as workers. Students do not normally participate in decisions affecting their work as students. They perform assigned tasks and are rewarded—usually on an individual, piecework basis—after being evaluated by their hierarchical superiors. Students do not participate in deciding what topics are taught, how the classroom should be organized, or how evaluation should be carried out. New STS-designed factories offer more of an alternative to centralized, hierarchical authority.

Williams began his courses by asking students to define their learning goals, and then developed self-managed student groups based on members’ shared goals. The instructors became resources for the various student-run groups. The design was intended to help students “to discover what they need to learn, to become motivated to learn continuously, and to learn how to learn for themselves in the face of uncertainty and in cooperation with others” (Williams, 1982, pp. 63-64).

Williams implemented this design in three courses on organization and management: a large (210 students) introductory course for undergraduates, a more advanced undergraduate course for 75 seniors, and an MBA course for 43 first-year graduate students who mostly attended school part-time and worked full-time. Systematic evaluations—based on student
performance, faculty observations, and questionnaires—indicated that a significant proportion of the students at all levels rejected the democratic, more ambiguous design in favor of more directive, well-structured, bureaucratic forms of learning. The proportions varied by level, with approximately half of the undergraduate students and a third of the graduate students rejecting the alternative promoting self-management. Apparently, hierarchical authority patterns may be so ingrained that they impede self-managed learning, even in higher education.

A Case From Germany

Consistent with the above conclusion, Fricke’s research in Germany (1983) led to his finding that the nature of the hierarchical organization itself—“the Taylorization of work, the influence of experts, and the isolation of workers by piece work and work distribution”—is the chief barrier to workers’ developing learning skills, which he calls “innovatory qualifications (p. 73).” Through an experiment in participatory AR lasting several years, Fricke demonstrated that a combination of workers’ changing their own organization and a supportive adult education program based on self-managed learning was able to overcome this barrier.

Fricke’s project at Peiner AG involved 47 unskilled workers—of whom two-thirds were either women or from foreign nations—from the company’s car parts and screw factory. Working under conditions in which work was highly repetitive and physically demanding and wages were based on piecework, the workers also suffered form high levels of noise that made conversation difficult. Fricke chose this site expressly because of its “extremely stressful and restrictive working conditions” (p. 76). If participatory AR could work in this setting, he reasoned, it could work anywhere.

Fricke and his colleagues developed a new method of “accompanying observation” that made workers actively involved in explaining tasks in ways that contributed to the researchers’ understanding, the workers’ learning, and the workers’ proposing changes. The workers’ proposals and change strategies were further developed in a series of week-long participatory learning workshops during the four years of the project. The project resulted in improved working conditions, self-maintained learning processes—in which workers displayed creative and innovative skills that their work organization and working conditions otherwise discouraged—and a new relationship between adult education and self-managed learning in the work place.

The Norwegian model of empowering participation is not unique to Norway. The three models presented above support and extend the one developed in Norway. The central feature common to all models is a requirement that participants not merely participate but also have some power, control, and authority over what they are involved in. Without power, participation results in paternalism at best, and in a hidden managerial control strategy at worst (Dickson, 1982).

EMPOWERING PARTICIPATION AND SOCIOTECHNICAL SYSTEMS IDEAS

This chapter explores other models of workplace democratization that support and extend the Norwegian model of empowering participation. Given the diversity of the backgrounds and approaches of these different models, any features common to all are significant. I find at least
four such features: rejection of conventional OD as a source of empowerment, skepticism of participation as potentially co-optive, the view that organization and political democracy are not the same thing, and the view that empowerment as a learning process legitimates new possibilities for action from the “bottom up.”

The rejection of conventional OD as a source of empowerment implies that conventional OD is insufficient for promoting parity of power and empowering the relatively powerless. Even STS ideas can be used for co-optation. Each of the models discussed above distinguishes between conventional and empowering forms of planned organizational change. The Norwegian model prefers democratization to humanization; Brown and Tandon prefer participative research to action research; Borum prefers “power-based” OD to that which is “communications based”; Williams prefers participatory democracy as a basis of organization to a bureaucratic model; and risk attacks the uncritical acceptance of fragmented, centralized forms of hierarchical control (Taylorism) and argues for self-educative processes of worker control.

These analyses imply that conventional OD tends to sustain rather than transform hierarchical authority, that it fails to develop structures based on autonomy. Although such structures are central to STS theory, what is needed is a structure-generating process that is itself autonomy-based and self-managed. The Norwegian model of empowering participation attempts to integrate classical STS ideas about autonomy-based structure with OD’s emphasis on change and learning processes and with PR’s ideas about participant control of the creation of knowledge and “sense making.”

The skepticism of participation as potentially co-optive may seem odd, for all of the models presented above aim to increase participatory democracy at work. This skepticism is based on participation’s inherent duality, which is often overlooked in OD. Participation is both a powerful mechanism for integrating individual and organizational goals—that is, a strategy for increased management control (Dickson, 1982)—and a potential means of transforming organizational authority (Pateman, 1970). Participation is not the equivalent of democratization (Elden, 1981, 1985a; Levin, 1986; A. Sandberg, 1976). For example, authoritarian political regimes often require a great deal of “participation.” All of the models presented above emphasize forms of participation that enhance autonomy and equalize power, not participation of any type at any cost. Participation—along with other typical OD values such as openness, trust, and the like—under conditions of unequal power tends to increase differences in power in favor of the powerful. Therefore, whether or not participation is empowering depends on the existing distribution of power and whether or not interest and values converge or conflict, as suggested in Table 1. Empowering participation presupposes some form of countervailing powers, or parity of power, that allows one to have an impact even when interests do not converge.

The recognition that workplace and organizational democracy are not the same as political democracy stems from the knowledge that a polity such as a nation-state differs fundamentally from a business. Although a business can be analyzed as a political system, the floor of congress and the shop floor are not the same with respect to systems of power, control, and authority. Although justice and effectiveness can overlap, by definition business organizations must be effective and should preferably be efficient. Mechanisms such as “one person, one vote,” majority rule, and checks and balances contribute to realizing a democratic polity, but can conflict with the economic survival of a business. Democratic enterprises require
other mechanisms, at least on the direct level. Democracy in working life is inherently more limited and partial compared to political democracy.

Although all of the models of democracy at work share the values and goals of advocating industrial democracy, we need a clearer recognition of the limits of democratic planning and decision making in a commercial enterprise (A. Sandberg, 1976). Good economic performance depends upon the effective mobilization of relevant competence, not simply upon majority rule. Authority at work is organized so that competence can be allocated appropriately. In a business, goal-related competence is an important means of converting power into authority.

In a democratic polity, the conversion of power into authority depends upon general, undeniable, and equally distributed rights, not just on competence in contributing to limited economic goals. The popular image of economic democracy is that of an organization modeled upon a democratic political system (for example, Berstein, 1976)—that is, one employing one person, one vote, checks and balances, judicial appeal, freedom of speech, and the like. On the level of the work place, however, the models analyzed in this chapter clearly emphasize increasing one’s power base by increasing one’s organizationally central or “strategic” areas of competence (Salicik & Pfeffer, 1977) and power bases (Borum, 1980). In such terms, democracy means free play and fair play: free play for developing and applying competency, and fair play among all relevant stakeholders involved in self-regulation in the interests of the organization as a whole.

The emphasis on developing competence supports empowerment as a learning process. In all of the models presented in this chapter, the organization and management of inquiry and change is crucial. Brown and Tandon (1983) focus on the “political economy of inquiry.” The Norwegian model uses participatory research to help create new meanings and possibilities for action through the development of local theory. Fricke (1983) relies on a strategy of adult education. The seeds for developing authority structures necessary for democratizing work are sown through structuring authority for organizational inquiry and change. This extends Pateman’s (1970) argument for the educative value of participatory democracy: “The major function of participation in the theory of participative democracy is an educative one, education in the very widest sense including both the psychological aspect and in the gaining of practice in democratic skills and procedures” (p. 42).

The models discussed above imply that a central element of workplace democratization is increasing workers’ power through their development and application of new knowledge on their own. The source of such knowledge is not external experts, but workers’ analyses of their own experience. Participative research is therefore simply a form of action research directed and performed by workers according to their interest and needs for learning. Democracy at work, according to this interpretation of STS theory, is not a particular organizational form, but a continuous process of self-directed learning and “active adaptation” (Williams, 1982).

**SUMMARY AND CONCLUSION**

Below Table 2 summarizes the results of this exploration of the conditions in which STS ideas can lead to empowering participation. The 12 conditions presented suggest that the organization and management of work reform efforts may be more significant for
democratization than any particular change or organizational form. When inquiry and change are more self-managed, new definitions and symbols can emerge that contribute to empowerment.

Workers acquire power by developing new definitions of their own situations. One way of doing this is by analyzing their own organizations as socio-technical systems (Davies, 1983; Elden, 1985b; Thorsrud, 1977). The key is to create new, shared definitions or new local theory that can more easily be put into action. This evolution of new, “coincident meanings” is articulated by Gray, Bougon, and Donellon (1985) as follows:

[It is a] political process in which the powerful shape meaning for other organizational members. The most important role of leadership is to define organizational reality for others and to engineer its consensual acceptance. By drawing members’ attention to certain aspects of their experience, and not to others, leaders impose a pattern of meaning on an otherwise ambiguous context. Leaders, or emergent leaders, influence sense-making through any of the meaning construction processes—by introducing concepts, by inculcating cause/effect relationships, and by imparting values.... Thus, it is the interpretative schemes of the powerful which are eventually rationalized as organizational policies and practices (p. 83).

From this perspective, the one controlling and directing organization inquiry determines the possibilities for power and empowerment. Participative research at work empowers relatively powerless stakeholders by treating them as “leaders or emergent leaders.” Empowering

<table>
<thead>
<tr>
<th>The Norwegian Model</th>
<th>Other Models</th>
<th>Significant Common Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Institutional and political support at “higher” levels</td>
<td>6. Some parity of power prior to participation</td>
<td>9. A rejection of conventional OD and STS as a source of empowerment</td>
</tr>
<tr>
<td>2. High levels of cooperation and conflict</td>
<td>7. Systematic development of bases of power</td>
<td>10. Recognition that participation can be either co-optive or empowering</td>
</tr>
<tr>
<td>3. A vision of how work should be organized</td>
<td>8. Overcoming resistance to empowerment by the powerless</td>
<td>11. Recognition of significant differences between organizational and political democracy</td>
</tr>
<tr>
<td>4. “Do-it-yourself” participative research</td>
<td></td>
<td>12. Empowerment as learning legitimates new realities and possibilities for action from the “bottom up”</td>
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<td>5. Researchers act as “co-learners,” not experts in charge of change</td>
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Table 2
Some Necessary Conditions for Empowering Participation
participation means that workers influence or contribute to “sense making” and that organization policies bubble up as well as trickle down.

Participative research and self-managed inquiry thus emerge as central elements of a strategy of empowering participation. Researchers are in the business of defining new possibilities and creating new meanings. Although social scientists may, with good cause, feel relatively powerless with respect to democratizing work life generally, inquiry and learning are at the heart of workplace democracy, and researchers have much to contribute to these processes. The researchers’ role cannot, however, be based on the traditional model of the expert in charge of change (Elden, 1981), or on a model of science based on unilateral control (Torbert, 1981). The findings presented in this chapter suggest that STS “experts” who seek to contribute to self-management and democracy at work must divest themselves of the typical expert’s managerial prerogatives if the sense-making process in organizations is to contribute to empowering participation.

Ultimately, STS ideas imply the need for more local control in policy making. A new challenge for STS is to design systems of governance that extend the ideas of self-regulation beyond the work group. If, as this analysis suggests, sense making is essential to empowerment processes, then so are new ideas about leadership. Further study of these issues is necessary if STS is to contribute as much in the future, as it has in the past, toward democratizing organization development and the larger society.
REFERENCES


Chapter 5

THE CHALLENGE OF ECONOMIC DEMOCRACY: THE CASE OF SWEDEN

Sandra Albrecht and Steven Deutsch

No industrial country in the world better illustrates the legislative approach to reforming worklife than Sweden, and in recent years the Swedish system of industrial relations, its moves toward workplace democracy and its achievements in work environment reform have all been held up as examples for other industrial nations.

Sweden, like other Western industrial nations, has experienced the profound economic crisis caused by the internationalization of the world economy, global competition, the introduction of new technology and other related factors. Inflation, rising unemployment, slowed economic growth and other problems have emerged in Sweden, though on a substantially lesser scale than most other industrial market economies.

In this paper we outline the shift from social and industrial democracy to proposals to democratize the economy of Sweden. It is a logical extension of the “politics of production” scenario in Sweden during recent decades. Because of the economic crisis, however, the specific proposals and strategies for political mobilization have taken a distinct character which we examine. In short, the changing socio-economic environment of Sweden has shaped a different approach than that underlying the industrial democracy reforms of the 1960s and 1970s, but the connection is logical and continuous. While the primary objective of this paper is to detail and analyze the Swedish case, there are some clear implications for other countries which we note as well.

THE MOVE TOWARD INDUSTRIAL AND ECONOMIC DEMOCRACY

The emerging discussion about economic democracy, or shop floor worker control, which came throughout the Western world in the late 1960s and the 1970s was built on pragmatic as well as philosophical or ideological foundations. Clearly the matter of employee morale, productivity, and the broader context of participatory movements helped to shape the dialogue in most industrial nations (Deutsch, 1979). In Sweden some critical decisions were made in a complex of labor market policies. For example, while the 1950s and 1960s saw the need for considerable importing of labor, the decision was made to lessen that pattern and better utilize the one source of available labor within the country – women. As a result, less out of ideological persuasion than pragmatics, policies were shaped to include such inducements as job sharing for part time employment, company child care, extended maternity/paternity leaves and other features to increase female labor force participation.

In a similar fashion other reforms were enacted through a combination of ideological and practical arguments. The evidence did reveal greater worker satisfaction, higher morale and hence less turnover, and greater productivity through the use of restructured workplaces, including such improvements as autonomous work groups, job rotation, and worker representation in managerial policy making bodies. These reforms came about through voluntary or negotiated agreements. Because of employers’ concerns with productivity and
worker commitment, these increases in socio-technical participation at the workplace were seen by employers as the goal of the economic democracy movement. Labor, however, defined democratization of the economy differently and pushed for its historical mission of gaining greater control on the job. For labor the issue was one of redistributing decision-making power at the workplace which inevitably meant the reduction of managerial prerogatives. The combination of perceived resistance to granting such rights to labor by employers, and the fact that the Social Democratic Party (SAP) was in continuous political power during this period, resulted in growing pressures for legislative remedies and approaches toward work reform. This paralleled developments in some other counties (Deutsch, 1977; Gustavsen, 1982; Gustavsen & Hunnius, 1981; LO, 1982).

It was in the 1966 Swedish Labor Federation (LO) Congress that the issue of economic democracy first commanded labor’s attention in Sweden (Dahlström, 1977). A committee was appointed to study the issue of economic democracy and offer suggestions for implementation to the 1971 LO Congress. Looking back at the report, we can see it replicated in the series of legislative acts on economic democracy from 1972-1978: Act on Employee Representation on Boards, Security of Employment Act, Promotion of Employment Act, Act on the Status of Shop Stewards, Worker Protection or Safety Act, Act on Employee Participation in Decision-Making (MBL), and the Work Environment Act (Martin, 1976, 1977; Albrecht, 1980, 1981; Forsebäck, 1980; Schmidt, 1977).

Taken together, this body of legislation has as its goal the increased influence of employees over their workplace. Although these reforms have not moved to transfer ownership or erode private capital, they go well beyond limited shop floor participation and call for a share in larger capital decisions on such things as plant investments, technological changes, and production decisions. Separately, some of this legislation has been more successful than others. But, at the same time, optimism over the Work Environment Act continues to grow.

Some of these legislative reforms were based on what is seen as fact in Sweden, but remains hotly contested and hence political or ideological in the United States. For example, the postulate that workers’ health, both physical and mental, is enhanced by greater worker participation on the job is taken as factual in Scandinavia, and is built into the Work Environments Act in Sweden and Norway (Deutsch, 1981a). That postulate remains a matter of debate in the U.S. and is left to labor/management negotiations. The point here is a profound one: certain fundamental, underlying assumptions in Sweden take on an ideological character elsewhere. The Swedish social welfare system and the range of labor market policies are predicated on the standard that all workers should be able to work and that the government has certain responsibilities to maintain full employment and social services which protect the quality of life for all citizens. Even the idealized version of American constitutional rights and governmental role do not build on that base.

There is always a debate between what, in Gorz’ terms, are reformist versus revolutionary reforms. According to Evelyn Stevens (1980) those which lead to further structural changes fit into the second category. “Practically any scheme of participation has the potential to generate challenges to the status quo if a strong and ideologically committed union mobilizes workers to realize fully structural given possibilities” (p. 6). It seems clear that the LO/SAP programs which emerged in the 1960s was one which emphasized the erosion of older
notions of managerial prerogatives, and put into practice the historical social democratic view that labor is to gain ever greater control (Tilton, 1979). In that sense, the series of legislative reforms not only gave labor greater control over the workplace, but made the connection between that level of participation and labor’s control over capital decisions, or economic democracy. If labor was to sit on corporate boards, help to shape investment and disinvestment decisions, have a say about the rationalization of technology and the social arrangement of production, then it was almost inevitable to move towards greater control over total capital. In short, the industrial democracy program of past decades should be seen as organically connected with the economic democracy push started more recently. That connection, of course, is made in other Western nations as well (Deutsch, 1979; Gustabsen & Hunnius, 1981).

Toward Workers’ Collective Wage Funds

It was the same LO Congress that supported the industrial democracy report in 1971 that also initiated the move toward economic democracy in the form of wage-earners’ investment funds. The original impetus came from the Metalworkers Union and their concern for the growing problems arising out of the “reverse side” of the LO’s wage policy of solidarity. This wage policy has been in effect for many years and stresses the solidarity among workers with a special commitment to the lower-paid workers (Meidner, 1974). This solidaristic wage policy is basically a policy of equal pay for equal work, where pay is determined by the kind of work done rather than a firm’s ability to pay. What this has meant in operation is that wage-earners in the more profitable firms have practiced a form of wage restraint and wage differentials in Sweden have diminished over time in favor of greater inequality. With the growing success of this solidaristic wage policy, however, “excess profits” began to accrue in the hands of private capital in the more profitable enterprises. Because of the growing discontent of labor with this undesirable side-effect of the wage policy, a solution needed to be found. To that end, a committee was appointed under LO Labor economist, Rudolf Meidner, which was instructed to come up with a plan to solve the problem of “excess profits.” In addition, the committee was to seek a solution that would also counteract the concentration of wealth in Sweden and would increase the influence of workers over the economic process.

The Meidner committee set out to construct a proposal to satisfy these goals. A first version draft was circulated in union study groups which acted as consultants in the process. Responses by 18,000 LO members who participated in the study program on wage-earner funds were overwhelmingly supportive of the outlined plan (Meidner, 1978). A final report was then prepared by the committee and presented to the LO Congress. Referred to as the “Wage-Earners’ Investment Funds,” (Meidner, 1976) it was unanimously supported by that Congress. The report called for the transfer of a certain percentage of a company’s profits into shares that were to be collectively owned and controlled by employees and their unions. Even the dividends were to be collectively used for labor education and research (Höglund, 1978). As the plan was designed, a suggested 20 percent of the pre-tax profits of an enterprise would be transferred yearly into these funds in the form of labor-owned shares. That proportion of profit transferred from capital owners to labor would remain within the enterprise, and “share issues” would be transmitted to a central wage-earners’ fund. The responsibility of this central clearing fund would serve both as a depository for these share issues, and the administrator of the dividend income from these shares for the benefit of employees as a whole. Voting rights to the shares were not vested in this central fund, but rather were to be divided between local plant unions and
inter-industry funds. As Meidner explained it, “The object of this part of the proposal was to strike a balance between the demand for decentralization and the need for some coordinating body covering employees in different companies” (1981, p. 211).

At that time it was predicted that profitable firms could theoretically have a labor majority ownership in 20-30 years. The report was to be interpreted only as a set of guidelines where the actual details would be worked out at a later date. However, the report was clear about the fact that these funds were to be collectively owned by labor, and that the solution to the excess profits issue and the concentration of wealth problem involved a partial transfer of ownership from private capital to labor influence.

The Meidner proposal was immediately controversial and sides were quickly drawn along traditional socialist/non-socialist lines. It is important to point out that the debate was sharply focused. There had long been agreement among political and economic groups about the need for some form of employee profit sharing (Åsard, 1978). The point of disagreement was the manner in which labor had chosen to do this, i.e., collective ownership. Rather than distributing the profits to employees in some individualized profit-sharing scheme, the profits were to remain within the enterprise under the control of labor in the form of shares. The solution accomplished the three distributive goals; financed by a percentage of the “excess profits,” the compulsory share issues and the dividends accruing to them were placed under collective labor ownership and influence, and in turn, reduced the concentration of wealth.

The 1976 election reflected the intensity of the conflict over the wage-earner funds. The non-socialist parties were singularly opposed to the plan, calling it a move toward excessive concentration of labor power and the outright confiscation of property. For their part, SAP and LO did not present a unified position on the plan. Claiming they were not ready to discuss the issue of wage-earner funds, the Social Democrats attempted to remove the issue from the election debates. Their attempt failed, and in the end, the wage-earner funds debate was considered one of the main reasons for the Social Democratic electoral loss after 44 years of power (Petersson, 1978).

One of the main ways the Social Democrats attempted to subdue the electoral controversy over wage-earner funds involved reference to the Public Commission on Wage-earners and Capital Formation. Olof Palme, whose Social Democratic government was responsible for setting up the commission in 1975, sought out the commission as a defense for his party’s inability to articulate a position on wage-earner funds in the election, stating that they needed to wait until the question had been fully explored by the commission before taking a stand. This happened again in 1978 in preparation for the next national election to be held in the fall of 1979. The Social Democrats, with the concurrence of the LO, chose to postpone the discussion of wage-earner funds until after the election and the presentation of the final report of the commission in 1981.

Throughout the operation of the commission, and often contrary to the apparent continuing divisiveness of the issue, there was always an underlying hopefulness that the commission could pull together the disparate set of plans into a consensual solution. This hope, however, ended in 1981 when the commission was unable to resolve the internal controversy over the conclusions and recommendations for the final report. The severity of the disagreement
was apparent when the chair, Allan Larsson, resigned from the committee. Although there was talk at that time of disbanding the commission altogether, it was reinstated under a new chair and an attempt was made to salvage the six years of work that already gone into the preparation of the final report. In 1981 (*Dagens Nyheter*, May 22, 1981), however, the commission gave up when it again found itself unable to agree on the important sixth chapter that was to be the outline of the different alternatives and details of their construction in terms of such issues as organization, financing, and investment policies. This chapter, which was considered the most important one of all, was noticeably absent from the final published report which was drawn from the five completed chapters on the historical and international background of the issue *Statens Offentliga Utredningar* (SOU, 1981).

The public debate began with the original Meidner proposal prepared for the LO Congress, and, like the Public Commission, its history has been marked by controversy. To date the original proposal has undergone a number of revisions. The first such revision came in the Spring of 1977 when a new working group was formed composed of both LO and SAP representatives.

The revised plan was published in 1978 and mirrored the growing concern over the worsening economic situation and the declining capital necessary for industrial investments. Sweden and its dependence on imported oil was heavily affected by the international recession. Domestically, the structural problems in major industries such as iron and steel, shipbuilding, and forestry contributed further to Sweden’s economic problems. The felt need for increased capital for investments in order to revive the Swedish economy and its competitiveness on the world market resulted in the addition of a fourth goal to the wage-earner funds (Höglund, 1978). This new goal was to increase collective capital formation for productive investments. Its addition substantially changed the structure of the funds by introducing “development funds.”

The LO/SAP working group was committed to both the original three goals set out in the Meidner proposal and this new fourth goal. Unlike the Meidner plan, however, which sought a solution to all the distributive goals within one set of funds, the new plan called for two separately designed funds. One set of funds were similar to the Meidner plan in that “excess profits” were to be transferred from capital to labor in the form of share issues with the money remaining within the enterprise. The second set of “development funds” were to be financed by a certain percentage of the annual payroll (3 percent) to be paid by employers, and were specifically designed to address the fourth goal of collective capital formation. Made up of two nationwide funds and 24 regional funds, the “development funds” were for the express purpose of providing capital for investments for such things as industrial expansion and technological development. This new plan, then, was a combination of both profit sharing and compulsory savings.

It was thought at that time that this new plan would form the basis of LO and SAP’s united political position on wage-earner funds for the next national election. The expectation was that this plan would be followed by a massive educational program and hopefully made into a successful election issue. This scenario, however, was never played out. Although LO and SAP approved the four goals, they did not endorse the plan in its entirety. Rather, as mentioned previously, they chose to postpone the discussion until after the commission report and their national congresses.
The process of hatching an investment fund scheme involved a complex incubation period (Bulletin of the European Communities, 1979; Eidem and Öhman, 1979). The initial impetus came from LO and fed into SAP. The failure to agree on the role of the initial wage-earner funds in the past elections has led to some resolve to come together and place this issue before the voters in such a way as to help the Social Democrats regain power.

In 1980 the International Centre of the Swedish Labor Movement (AID) held a major international conference on the theme of “Capital and Economic Democracy.” At that time it was abundantly clear that the ranks of LO were not solidly behind the plan for wage-earner funds, as it stood then, and the leadership of SAP certainly was cautious. Foreign participants at this meeting would have joined with the Swedish press in anticipating a declining commitment to push for such a proposal in the subsequent LO and SAP Congresses, while at the same time sensing a good deal of support within the ranks of labor and the Social Democrats. Of course, the Public Commission was then expected to generate a report which would form the basis of the real discussion and nothing in the few remarks between one of us and Allan Larsson suggested the skepticism and despair which led to his resignation. Given the events since that time, it is clear that hard-headed strategists and committed unionists and Social Democrats have come together to mold a proposal which is both a logical development towards increasing the control of work by labor and which is more palatable to the Swedish electorate.

This proposal was ultimately presented and represents the most comprehensive plan since the original Meidner report in 1975 (LO News, 1981). Some of the central aspects of this new plan were presented earlier in an LO/SAP position paper to the Public Commission (Hancock, 1981). For the first time there was a link made between wage-earner funds and supplementary pensions. These supplementary pensions (ATP) have an important history of their own preceding their adoption in 1959 (Hancock, 1972; Molin, 1966; Stephens, 1980; Wheeler, 1975). Essentially, these pensions augment retirement benefits with supplementary payments based on an employee’s salary in his/her best 15 years of work. They are compulsory and under public control (Korpi, 1978), but because of rising inflation, there is growing concern that the supplementary pensions will decline in value without some kind of financial increase. Therefore, it was suggested that the wage-earner funds could be set up in connection with the supplementary pensions. The wage-earner funds would purchase shares to be collectively owned by labor, with the dividends being fed back into the ATP system to insure its continued ability to supplement retirement benefits. The financing of these funds would be from “excess profits” and an employee payment of an “ATP fee.”

The plan both modified and expanded the earlier position paper. This new plan served as the working paper on wage-earner funds for the LO and the SAP national congresses in 1981. Though structurally different, it resembles the LO/SAP 1978 revision more than the original Meidner proposal. The most important aspects of this new version are its linkage to the ATP system, the change from compulsory share issues to cash payments for the purchase of shares on the open market, and the greater emphasis placed on the fourth goal of collective capital formation. The plan placed a high priority on the wage-earner funds as a way to help solve the economic crisis in Sweden. Ingvar Carlsson at the 1981 Social Democratic Party Congress listed the major problems for the Swedish economy: large budget deficit, trade deficit, rising inflation,
and a low level of investments (Carlsson, 1981). The wage-earner funds was seen as a part of an overall economic program to remedy these problems. And to do so, the fourth goal has been given added weight. This message is clearly articulated by LO in its Congress reports (LO, 1981):

The working party’s proposal is based on the fundamental principles laid down earlier within the labour movement. However, the present proposal is, to a greater extent than earlier proposals, intended as the outline of an Employee Investment Fund system directed towards safeguarding employment and contributing towards a solution of the economic crisis in which Sweden finds itself (p. 13).

Referred to as the “Capital-Sharing funds,” this revision involves the purchase of shares on the open market to be collectively owned and controlled by wage earners, as shown in Table 1 below. Financing for the funds would be drawn from the “excess profits” of companies and an increase in the contributions to the supplementary pensions system. “Excess profits” are considered to be 20 percent of the profits over and above an estimated inflation rate of 15-20 percent. The additional increase in the supplementary pension contribution would be 1 percent. Unlike the earlier proposal, this payment is made by the employers not the employees. Overall, this financing is expected to yield 2-3 billion Swedish crowns yearly. In terms of operation, both the “excess profits” and the additional supplementary pensions contribution would be turned over to the supplementary pensions scheme, which in turn, would transfer the money to the capital-sharing funds. There would be 24 regional funds for the 24 Swedish counties. The funds are to purchase shares. In the event that a company does not want to issue new shares, there would be a “trade union right to initiative” whereby the trade union could call for a new issue of shares. It is understood that a percentage of the dividends from these acquired shares would go to the supplementary pensions system. When a fund purchases shares, the voting rights are divided between the fund and the employees in the enterprise in which the funds are bought. The voting rights are equally divided between the fund and the employees until each has acquired 20 percent of the voting power in the company. After that, all the voting rights from subsequently purchased shares go directly to the fund. In this way, regional interests are given priority over single enterprise interests. The funds may purchase shares from any company within their own county or outside their county.

The proposal concluded with two alternative suggestions for how the funds can be managed. One way is to have a directly elected representative body for each county fund. This body would be elected by all “wage-earners,” defined as individuals who have contributed to the supplementary pensions scheme. The second alternative is to have the government appoint representatives to the funds. These appointees would be representatives of the employees and would be drawn from a list of trade union nominations. This second alternative makes it clear that a majority of the representatives on the board of the funds must be employee representatives while allowing other representatives from the county and local councils.
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<th>GOALS</th>
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<td>1 – To solve the problem of excess profits as a consequence of the</td>
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<td>1 – Percentage of excess profits (20% of profits over and above an</td>
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<td>1 – Contributions and profits are turned over to ATP.</td>
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<td>1- Voting rights to the purchase shares to go</td>
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<td>There are two alternatives under consideration for the selection of</td>
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<td>wage policy of solidarity.</td>
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<td>inflation rate of 15-20%).</td>
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<td>2 – ATP transfers the money to the capital-sharing funds. In all, there</td>
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<td>a) the regional fund which acquires the shares, and</td>
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<td>board members for these funds.</td>
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<td>2 – To counteract the concentration of wealth which stems from</td>
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<td>2 – Increase in employer contributions to the supplementary pension (ATP)</td>
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<td>are to be 24 regional funds, equal to the number of counties.</td>
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<td>b) the employees in the enterprise in which the shares are bought.</td>
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<td>1 – The direct election of a representative body by the wage-earners in</td>
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<td>industrial self-financing.</td>
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<td>funds (1%, with the understanding that a percentage of the dividends</td>
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<td>3 – The funds are for the purchase of company shares, with a “trade</td>
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<td>2 – The voting rights are equally divided between these two until each</td>
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<td>each county. Eligibility for voting would be open to all individuals</td>
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<td>3 - To increase the influence which employees have over the economic</td>
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<td>earned will revert to ATP).</td>
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<td>has acquired 20% of the total voting rights in the company.</td>
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<td>process.</td>
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<td>3 – Any voting rights from shares purchased after this amount would go</td>
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<td>2 – Government appointment of employee representatives based on trade</td>
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<td>4 – To increase collective capital formation necessary for productive</td>
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<td>directly to the regional fund.</td>
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<td>union nominations. Employee representatives based on trade union</td>
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<td>union nominations. Employee representatives should be in the majority</td>
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<td>investments and future job creation.</td>
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<td>4 – Each of the regional funds can purchase shares in companies of all</td>
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<td>on the boards, county and local representatives should be included as</td>
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<td>lands inside or outside their county.</td>
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<td>Purchase of shares from enterprises to be collectively owned and</td>
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<td>controlled by wage-earners.</td>
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2-3 Billion crowns per year expected.
As mentioned previously, the original wage-earner funds proposal was an LO initiated proposal, later joined by the SAP in its revised forms. It should be pointed out that the controversy over the idea of wage-earner funds is defined not only by external criticisms of the idea of funds but also by internal criticisms as well. For example, there have been two issues that have surfaced within the various factions of the LO and SAP that have consistently plagued unity over the issue of wage-earner funds. One has been a concern over the possible “double role” that workers would play in a system where they would be both workers and have a role in the ownership of the enterprise. Two has been a concern that funds based on one’s role as a wage-earner, and now specifically as a participant in the ATP system, may be undemocratic; alternatives have been suggested based on some form of citizen funds instead of wage-earner funds (Korpi, 1980; Korpi, 1981). These internal conflicts, however, seem to be of lesser and lesser visibility since the proposal and the Social Democratic Party’s commitment to that proposal as a main election issue for the future.

It should also be pointed out that the controversy over these funds has not only taken the form of direct criticism of the LO/SAP proposal by other political parties and employer organizations, but has also consisted of alternative proposals for the construction of funds. Although these proposals have a history of their own and have undergone changes through the course of the debate (Öhman, 1979; Hancock, 1981), they have typically opposed the principle of collective funds which would increase the influence of workers through their unions. When the Public Commission on Wage-earners and Capital Formation terminated, for example, there were three different models that had a following among the different political parties: the Social Democratic Party was in support of collective wage-earner funds; the Center Party and the Liberal Party were both interested in some form of citizen funds with individual benefits; and, the Moderate Party in alliance with the employers’ representatives favored some form of tax savings system that would encourage individuals to purchase shares.

To complete the picture of the relevant actors involved in the issue, it is necessary to draw out the position of the TCO (Central Organization of Salaried Employees), the largest labor organization of white-collar workers. Throughout the debate on wage-earner funds, the TCO has been closely aligned with the LO/SAP fundamental idea of collective wage-earner funds. In fact, TCO’s 1981 fund proposal was quite similar to that of the LO/SAP (Svenska Dagbladet, January 29, 1981). However, recent developments within TCO may result in this central organization withdrawing its support for wage-earner funds and remaining neutral in the debate. TCO’s largest union, SIF, which is comprised of industrial white-collar workers, has polled its member unions on the issue of funds. Out of the 3800 local unions in SIF, 626 responded. Over half of these unions were negative to the idea of wage-earner funds, stating their opposition to any system that might transform the economy. The role that the TCO will take in the future is now unclear and according to its head, Lennart Brodström, is dependent on what position the majority of TCO’s unions will take (Statsjanstemännien, May 1981). SACO (Swedish Confederation of Professional Associations) which organizes professionals into unions in such areas as medicine and law has always maintained a position in opposition to collective wage-earner funds and has recently come out with a proposal in favor of some kind of citizen funds (SACO/SR-Tidningen, 1981).

This new revised plan by LO/SAP, outlined earlier, reflects much of the debate that has gone on since the first Meidner report. It incorporates into what is basically a plan for collective
ownership and influence a form of individual return via a percentage of the dividends being fed back into the supplementary pensions. Eventually, in the form of retirement benefits, these dividends will be passed on to the wage-earners. The plan is decentralized to the county level, where the county maintains dominant voting control to insure a certain degree of regional influence. In the second alternative for the management of the funds, the plan offers the possibility for citizen representation on the funds, addressing the often cited issue of societal influence in the employee funds.

Finally, the plan attempts to solve all four of the presented goals. Although the concern over “excess profits” has abated since Swedish industrial profits have declined, the financial base is still “excess profits,” with additional money coming from an ATP contribution. Concentration of wealth is diminished as these monies are transferred to labor control. Employees gain influence both through their collective participation on the ownership of companies and in their role in collective capital formation for investments.

The major point of controversy – collective labor ownership – has remained throughout all the stages of revisions in the plans. However, with the increasing emphasis on the need for collective capital formation, the nature of that ownership has undergone change. On the one hand, this new plan does not insure that collective ownership within a particular enterprise will, in fact, be accomplished. Unlike the direct link made in the Meidner report between “excess profits” and acquisition of shares within the enterprise, this new plan does not require the funds to purchase shares in any particular company. Could this result in the excess profits of one enterprise aiding the collective ownership of another enterprise rather than its own employees? On the other hand, this plan has the potential to strengthen the role of labor not only in ownership within enterprises, but in collective decisions on investments that affect all of the Swedish economy. Certain questions arise here also. For example, what could be the result of one county fund buying shares in companies in another county? Since voting rights are divided between the employees in the enterprise and the fund itself, what difficulties could arise where one county fund buys shares in a company outside of its region?

Hence we see that the current discussion revolves around broader sectors of the population (not limiting control to workers in a particular enterprise), is organized by geographic rather than production units, and stresses societal economic democracy versus a push towards worker ownership. Such, however, is “the Swedish way” and we might anticipate that the LO and SAP will go further towards gaining broadened support for the compromise proposal (Meidner, 1980). “The LO and the Social Democrats hope that this will help resolve the economic crisis prevailing in Sweden at the moment,” (LO News, 1981, p. 2). In short, the final scheme worked out at the Congresses in 1981 was geared to gaining popular support in future elections.

There are good reasons to believe that the idea of collective wage-earner funds will not pass away from the Swedish debate leaving no trace as has been the case in some other countries. A more likely prospect is that different concepts will, through a long and pragmatic process, melt into practicable solutions. Controversial issues earlier in the history of modern Sweden often eventually have developed into widely accepted elements of the Swedish welfare system (Meidner, 1981, p. 17).
THE SWEDISH ECONOMIC SITUATION

The major dimensions of the Swedish economy are in many instances parallel to those of other Western industrial nations, although the points of crises and their magnitude vary. For example, the early expansion of Swedish industrial production was largely for domestic markets, but accelerating in the 1960s, the economy has been increasingly tied to global markets rising to over 40 percent of total domestic industrial production. At the same time overseas capital investment by Swedish firms has increased at a rate far in excess of the domestic rate of increase, further internationalizing Sweden’s economy and making the nation even more linked to global economic conditions. This becomes even more complex when we include the role of foreign-owned companies within Sweden, whose domestic and international sales have increased substantially. Sweden is more vulnerable than most countries in this market because it is “one of the few countries whose companies invest more abroad than foreign companies invest domestically” (Larsson, 1979, p. 94). To understand the Swedish economic situation, then begins with a recognition of its heavy involvement in the global economy.

One reason for the expansion of Swedish foreign investments and the total growth in production has been, of course, the rationalization of technology. Sweden also had the advantage of not having to rebuild a ravaged industrial base after the Second World War. Quite the contrary, the pattern of industrial expansion, plan modernization and expansion continued during the war years and immediately beyond. The growth of legislation which protected worker job security, maintained government commitment to full employment, and introduced labor market policies to implement these commitments, and LO’s wage policy of solidarity, all contributed to Swedish labor supporting technological change in industry. However, from earlier conditions of expanded production, expanded social services, and improved quality of life, there has developed the rise in unemployment, capital shifts abroad, and the concern over capital formation. This changing economic situation has been a key factor in the wage-earner funds discussion. While the labor market philosophy and conditions have allowed Swedish labor to support increasing productivity through technological change, there are new pressures which have led labor to push for greater economic control over investments and production (Himmelstrand, 1981: Part IV). As Fredriksson says, “It is simply not possible to demand that union members show moderation in wage demands if those members cannot be certain that the resources they abstain from receiving do indeed go to productive investments in Sweden and give them sufficient influence in economic decision-making to guarantee this” (1980, p. 4). As the issue of excess profits decreased in significance and concern over capital formation increased, the position of labor on wage restraints and control over capital has also increased.

There are a number of other major characteristics of all Western capitalist states which Sweden shares. Among these are rising unemployment and structural dislocation, stagflation, balance of trade problems, and deficit budgets and spending. While the proportions are dramatically different between double-digit unemployment in such countries as Canada and England and the relatively low rate of official unemployment in Sweden, the problem is still significant. Both unemployment and the diminished opportunity structure for youth in Sweden is critical. Structural dislocation is also significant in regard to the massive job loss in timber and wood products, steel, and shipbuilding. Sweden ranks among the leading nations in the world at the present time in dependency on imported oil. Gustavsen and Hunnius (1981) describe the Swedish economy as one where there is
a vastly expanding rate of concentration and centralization of capital as exemplified by the excessive rate of recent mergers, an export-dependent market which has not only outgrown the domestic market in terms of consumption but also in terms of potential for investment capital, a growing rate of capital intensity, accompanied by a falling rate of profit and a decline in the rate of investment. At the same time, these developments have produced a situation, together with an international recession, where employment is declining in the industrial sector, not only in relative but in absolute terms, and where conditions of employment in capital intensive industries are leading to occupational illness and the development of a secondary labour market.

These structural problems have added to the growing concern over capital, forms of new investment, and the future expansion of the economy.

Inflation is an additional problem, even where pension benefits and other social services and wages are geared to cost-of-living indices. The inflation factor also fits into the global economic situation with the revaluation decisions made on the Swedish crown at times indicative of the concern in international terms. Similarly, the concern over balance of payments and international trade is of mounting importance to the Swedish Government. Since the national debt and governmental spending is a major issue in the United States, and in years back Americans looked to Swedish long-term economic planning as an alternative to our notions of annual budget balancing, it comes as a surprise perhaps to note that per capita national debt for Swedish families is the highest in the world (17,000 SKr.).

In brief, it is important to understand the economic developments in Sweden since 1945, especially in more recent years, and to note some major similarities to other Western market economies. The ability of most nations to cope with their domestic economies will be ever more tied to the international political economy. Sweden is no exception. Nevertheless, there are very vital developments within Sweden which do reflect some of the unique and special features of the economy, polity, cultural components and the very important economic achievements in the past twenty years which have been built on social democratic philosophies. Contrary to the situation in the United States today where some calls have been heard for economic democracy or labor’s involvement with capital to help salvage some of the economic crises, in Swedish it is necessary to place the contemporary discussion within a context which over the past decades has systematically legitimated the rights of labor and the social democratic issue of economic control (Tilton, 1979; Abrahamsson and Broström, 1980; Von Otter, 1980). There has not been a major move to socialize the means of production, and in fact, Sweden has a higher concentration of private ownership than the United States, but the legislative approach to reform has quite systematically extended the rights of labor in the economy.

Economic Crisis and Wage-Earner Funds Political Strategies

A key issue in Sweden emerging during more recent years was the debate over potential adoption of a unified position by the Swedish Labor Federation (LO) and the Swedish Social Democratic Party (SAP). The debate centered on the form of the wage-earner investment funds proposal and the degree to which the particular component parts were to be spelled out. There was no doubt as to the general support for the concept both within LO and SAP. However, there
developed a considerable amount of discussion between the more moderate and more radical elements within the Swedish Left. Just prior to the LO and SAP Congresses, national public opinion polls revealed quite clearly that a coalition of SAP and other Left Parties would win a substantial majority. The leadership of the Social Democratic Party took the position that the wage-earner funds proposal and all that it represents must be deeply debated. Olof Palme (*Aftonbladet*, September 13, 1981) has argued that if the issue of employment in the economic crisis in Sweden were to be solved the wage earner must have a share of ownership in the growth of wealth in the nation but *within the market economy* (emphasis added). Palme stated in particular, “You don’t get rid of the market economy but you change the distribution of wealth and influence within the market economy, that I see as democratization.” This view was articulated as well by others in positions of leadership within the Social Democratic Party. The speaker of the Riksdag, Ingemund Bengsson, and the second secretary of the Social Democratic Party, Leif Andersson, were among the leaders who argued that of course the Social democrats in national elections would have an aggressive economic policy and the wage-earner funds proposal would be a part of it. Nevertheless, there was some indication that specific strategies in the working out of particular components would have to await the LO and SAP Congresses and strategizing sessions to follow.

Immediately before the opening of the LO and SAP Congresses the secretary of the Public Commission on wage-earner funds, Berndt Öhman, (*Dagen Nyheter*, September 9, 1981) took a very strong position challenging the Social Democratic Party and the Swedish Labor Federation to reaffirm its commitment to the market economy and make clear that the proposal for wage-earner funds would in no way jeopardize the Swedish system. This position, which was consistent with that articulated by much of the leadership of the SAP, was clearly designed to allay the fears of the electorate that the Social Democrats had in mind if they were to be reelected, a dramatic overhaul of ownership and the economic system. This is especially interesting in the light of the polls which indicated that the electorate was shifting away from support for the bourgeois parties who have been in power since 1976. The position of attacking the failures of the bourgeois parties’ economic policies since 1976 – the rise in inflation, unemployment, economic dislocation and general economic crisis – was characteristic of many speeches given at the time of the 1981 LO and SAP Congresses. For example, former Finance Minister Gunnar Sträng who gave the official SAP opening speech to the LO Congress on September 19, 1981 gave a strong critique of the bourgeois parties in their economic policies and laid out a blunt challenge to the Swedish Employers Federation stating, “come out of the trenches. Get your blinkers off and look at the future in a realistic way.” By that Sträng was arguing for the continued logical extension of political democracy and worker co-determination to economic democracy. However, while he sounded quite militant he nevertheless indicated that SAP supports the market economy but with constraints and within a social democratic framework. This seems to be indicative of the general position of leadership within the Social Democratic Party.

One needs to understand that there has been a relatively low level of public awareness of the wage-earner funds issue or at least it ranks relatively low among the key issues in the minds of the electorate. The media in general continue to refer to the revisions of the wage-earner funds as basically, “the same old stuff” according to some analysts. Nevertheless, public opinion polls continue to show a substantial increase of electorate support for the wage-earner fund proposal (*Svenska Dagbladet*, October 11, 1981). As expected the overwhelming majority of
those in support identify with SAP; however, fully one-quarter of those in support are members of the Moderate Party which suggests something of a potential swing for future elections.

In short, by the time of the critical LO and SAP Congresses, a good bit of debate was generated among the Social Democrats within the Swedish labor movement over the strategy for trying to regain power. The dominant view of the SAP seems to indicate a stance which would be basically critical of the accomplishments of the existing governments since 1976 and an argument to the Swedish electorate that they, the Social Democrats, would revitalize the economy and return the nation to a healthier economic posture. Within that strategy there would be a muted reference to the economic democracy proposal and linking of the wage-earner funds proposal to the ATP pension system which also in the 1950s was initially unpopular and is strongly endorsed by the full Swedish population. On the other hand, there were those within LO and within SAP who took quite a contrary view and argued that the wage-earner funds proposal had to be a cornerstone of a general political strategy suggesting that Sweden was at a crossroads: one direction was the continued economic distribution under the bourgeois parties, the alternative was a vital socialist economic alternative. Those who took this position could point, for example, to Denmark where there was a failure of a labor program and there is an economic program that is distinctly aligned with the bourgeois parties. Also, the Labor Party lost power in Norway again suggesting a possible redirection, on economic dimensions at least, in their other Scandinavian neighbor.

People such as Per-Olof Edin and Anna Hedborg of the Swedish Labor Federation and persons who have worked closely with the wage-earner funds proposals since 1975, argue that the SAP leadership is firmer in its commitment to the proposal now and that these proposals cannot be kept in the background. Although wage-earner funds will not be a cornerstone policy, it will be important as a part of an overall economic program. Such persons point out that over 200,000 LO members since 1975 have participated in education programs on economic democracy and wage-earner funds and that the educational program is vital. They point out that during the ATP campaign in the 1950s the population was split with a substantial half in between and not well informed. Nevertheless, they understood that LO and SAP supported the ATP proposal and thus gave their endorsement. A similar strategy was argued for the wage-earner funds in later campaigns. That is, recognizing that the public was often already split in favor and against, but also that many are were undecided, the strategy has been to regain confidence among the electorate in SAP and thus win the elections.

All of this is to analyze the political climate in Sweden. A considerable amount of open debate has been generated over how far to go in endorsing the wage-earner funds proposals and whether or not to take a position contrary to or in support of the market system. Prime Minister, Olof Palme, took a position that he wanted a “free hand” to negotiate the entire issue of wage-earner investment funds with industry. He stressed only unspecified profit sharing, the need to invest in strong industries, and the issue of democratizing industry and utilizing employee representatives on boards, but he did nothing to stress either wage solidarity or some of the other component parts of the broad wage-earner funds debate. The SAP Congress stressed as aims of the wage-earner funds: 1) to support wage policy of solidarity; 2) to counteract the concentration of wealth and power in industry; 3) by means of co-ownership to strengthen wage-earner influence on the reforms of labor legislation; 4) to help increase collective savings for productive investments and industry. The language of the Congress makes clear what the point of emphasis
should be: “Wage earner funds must purchase shares according to their own assessment of the purpose of their investments. Thus the funds will be at liberty to buy shares or to acquire other types of holdings in limited companies of every kind. Considering that the need for risk capital and enterprise is one of the main arguments for introducing wage earner funds the Executive Committee endorsing this fundamental principle concerning investments by the funds.” In short, LO and SAP have perceived that there is too little capital available for reindustrializing Sweden, and since they reject the means of tax incentives for providing risk capital, they must find an alternative.

It is interesting to analyze when the shift occurred in the wage-earner investment funds proposal debate and moved in the direction of capital formation. This basically happened in the LO/SAP working party revision in 1978 where the decision to incorporate the fourth goal of collective capital formation was first made and has proved to be a decisive change. According to Rudolf Meidner, when 20,000 participants in LO study circles looked at the wage-earner funds proposal they overwhelmingly favored the regional basis of the funds and were committed to the concept with a high degree of enthusiasm. He saw a good bit of that enthusiasm waning in the intervening years with debates over decentralization, expanding control beyond workers, and the various other changes along the way. He reflects on past elections with some trepidation noting the timidity of the LO and SAP leadership in pushing the wage-earner funds as a campaign issue. He wonders if the SAP will indeed prefer to stress the usual economic issues of inflation, unemployment, and the economy, and attack the bourgeois parties and back away from stressing a socialist program, including wage-earner funds, versus a traditional free market alternative ideology. Since he saw SAP on the defensive, he assumed that something would be learned, but he concluded that this was largely a repeat, and again the Social Democrats were on the defensive, attempting to ignore the wage-earner funds idea and refusing to articulate what the SAP would do if they regained power on this issue. Meidner feels this is publicly unacceptable and that SAP must come out with a clear position on the wage-earner funds if they are to regain power.

So the developments took on an interesting character. The debate within the labor movement and the Social Democratic Party has been considerable (Ekonomisk Debatt, 1981; Principfrågor for Fondmodeller, 1981; Skog, 1981). Both the LO and SAP Congresses have gone on record as strongly endorsing the wage-earner investment funds proposal. The leadership of SAP argues that the wage-earner funds idea will be part and parcel of a broad economic policy for the future of Sweden. But it is one of literally dozens of key platform positions in SAP and one of dozens of policy statements adopted by LO in their Congress.

Economic Democracy in Sweden and Possible International Implications for the United States

The move toward economic democracy in Sweden has flowed naturally from the increased emphasis placed on industrial democracy in the 1960s. This focus on greater worker participation has marked a new period in the transformation of Swedish society. The 1975 Social Democratic Party Platform refers to this period as the third stage in the democratization of Sweden: the first stage was political democracy, the second stage was social democracy, and now the third stage is one of workplace or economic equality, economic democracy. To John Stephens (1980), this development represents a move away from consumption politics. Whereas policies of the former are aimed at distribution of consumption, the latter policies are concerned
with the distribution of control. Others have similarly referred to this as the difference between economic distribution and the distribution of power (Martin, 1976) or, more generally, a move from questions of “economism” to ones of “control” (Giddens, 1973). The Swedish welfare state was shaped by a concern for policy output, i.e., that decisions should reflect the wishes of the majority and hence be egalitarian in their results. Issues of industrial and economic democracy, however, have supplanted this concern with a new one if policy making, i.e., that decisions should be made by the active participation of its members (Ruin, 1974).

The recognition that a fully egalitarian society could not be accomplished by dealing with economic distribution alone does not imply a dismantling of the welfare policies that have been established and continue to be considered, but only that such policies alone cannot insure the goals of societal transformation. As Castles (1978) explains it:

What has emerged from the debate on equality in Scandinavia in the last decade is that the existing reformist strategy combining social welfare and economic growth is not by itself sufficient to bring about an egalitarian society. At a minimum, the traditional strategy must be supplemented by an attempt to begin to reshape the fundamental industrial and economic relationships that determine a large part of social inequality. However, there is no evidence that the Scandinavian Social Democratic parties have any intention to depart from their long-cherished ideas of social harmony and democracy. The question for the future is whether the conditions which permitted a peaceful development towards a society with a high level of welfare state provision will be as propitious for a gradual but basic change in the economic system of capitalism (p. 92).

This next stage of economic democracy will be defined and played out within the context of growing economic problems. It has been mentioned previously that some of the key structural features of the Swedish economy today and points of crises are similar to those of other industrial nations. Clearly most of the West shares the dilemmas created by a global political economy and concerns such as oil dependency, foreign competition, balance of trade issues, and other such concerns. Additionally, the problems of stagflation – insufficient domestic economic expansion, high inflation, along with the staggering high unemployment – are all features of most industrial market economies today. As foreigners examining developments in Sweden, we are struck by the impact of the “Swedish model” and the potential impact abroad.

U. S. IMPLICATIONS

It is interesting to note that some of the debate in Sweden over the economic rights of labor were being echoed in the United States (Carnoy and Shearer, 1980; Woodworth, 1985). For example, there has been a rapidly rising discussion in the labor movement concerning worker pension funds and the rights of workers to help determine how this enormous amount of capital – over 600 billion dollars today and increasing at 11 percent per year – is used and how labor might influence such funds (Rifkin and Barber, 1978; AFL-CIO, 1981b). In particular, the AFL-CIO took an official position in favor of greater labor control over pension funds to create jobs, put investments in socially responsible areas (i.e., avoid South African investments or anti-union U.S. corporations), and help to shape the U. S. economy (AFL-CIO, 1981a, 1981b). This discussion has very much been influenced by Swedish developments, and the American labor
movement and its economic consultants have carefully studied the investment funds
developments in Sweden.

Ralph Nader along with various labor and citizen groups has pushed for the Corporate
Democracy Act which allows for worker and citizen representation on corporate boards and
opens up the corporate books to allow for greater accountability to workers and communities
(Bernstein, et. al., 1980). Federal legislation and laws in over 20 states are directed towards
plant closings and run-away shops, again to give workers and communities greater influence
over investment/disinvestment decisions which directly affect them. In virtually every instance
the legislators and staff members have made reference to Swedish labor market policies and the
push toward greater economic rights of labor in Sweden (Harrison and Bluestone, 1980; Labor
Union Study Tour, 1979).

In most of the literature in the United States on job reform and workplace
democratization, there is considerable appreciation for Swedish developments. Unions currently
piloting new collective bargaining agreements with rights over the introduction of new
technology into the workplace have carefully consulted their Swedish counterparts and the rich
base of applied social research on work life in Sweden. The entire occupational safety and
health field in the United States has been informed by Swedish sources and many of the
proposed reforms here are influenced by such sources (Deutsch, 1981a, 1981b; Kelman, 1981).

It would be wrong for the United States to simply view Sweden as a blueprint for action.
The differences in the countries need not be pointed out. They are both apparent and enormous.
However, the fascination in the U.S. for Swedish developments are increasingly not in terms of
the social welfare state – long the prime point of focus – but upon the major achievements in the
area of industrial and economic democracy. But there is one striking difference which should be
underscored. In Sweden the economic crisis, which has led to the continued commitment to
wage-earner funds, came after more than a decade of legitimated workplace reforms. That is, the
commitments to democratizing the workplace and giving labor increased control over work and
economic activity were well developed and accepted before the discussions about economic
democracy.

In contrast, in the United States, we have seen the calls for corporate democracy,
corporate accountability over investments and disinvestments, etc., coming during a time of
considerable economic crisis, but without a foundation of both a commitment to full employment
and legitimate control by labor over the job. It is difficult to know what that difference will
ultimately mean for the United States. Reforms in Sweden came during relatively good times
economically, with new challenges in tougher times. Reforms in the United States seem to come
mostly during times of economic crisis. Simply paying homage to Swedish developments,
putting the President of the autoworkers union on the board of the Chrysler Corporation, hearing
the calls for greater worker control over pension fund capital, seeing new plant closing laws, and
the like, does not tell us what the short-run impacts Sweden will have for the United States. One
thing is absolutely clear, the Swedish case for economic and industrial reform has had far-
reaching impacts (Van Houten, 1981) and has contributed to a major way to the great increase in
interest in Sweden and Scandinavian studies. That is a fact of no small import in itself.
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Chapter 6

SELF-MANAGEMENT AS A DEVELOPMENT ALTERNATIVE:
REFLECTIONS ON THE PERUVIAN EXPERIENCE

Martin J. Scurrah and Mario Padron

In Peru one out of every four employed workers has been a member of a worker-run enterprise. Each day over 700,000 workers have to confront and deal with the problems facing over 7,000 worker-run firms in an environment characterized by economic and political uncertainty. To what extent do these firms and their workers represent an alternative development model within Peru’s “pluralist” economy?

What are some of the lessons that have been learned over past decades through the establishment of various forms of worker participation and self-management? What are some of the issues and dilemmas that have been and are being raised and faced and that may be of relevance for other countries exploring alternative development possibilities?

Self-management as a form of workers’ organization and economic democracy no longer enjoys the degree of support that Peru’s government gave it in former years. Workers have experienced a decline in their living standards in the context of the country’s several serious economic crises in past decades, and this has affected the viability and even threatened the existence of many of their firms. In the context of a transition from military to civilian rule, of new forms (or, rather, the resurgence of old forms) of political articulation favorable to the urban bourgeoisie, and of an improving export income which promises to restore real income levels to their earlier levels, self-managed enterprises and their worker-owners face new challenges and opportunities.

PERU’S HISTORY OF SELF-MANAGEMENT

The Peruvian experience in the field of self-management offers ample material for analyzing which elements of that experience have proved valuable; the limitations and restrictions encountered; the key questions in any attempt to introduce forms of self-management in a context of dependent capitalism; the possibility of developing a general theory of self-management; the experiences that could prove to be valid for other countries; and, concretely, the perspectives for self-management in Peru under present conditions and given the specific problems that the poorer and marginalized sectors face.

In the face of disintegration in the support for civilian leaders, various economic crises, and growing (but not necessarily unmanageable) political chaos, past decades have led to the implementation of a number of “structural” changes aimed at transforming the nature of Peruvian society.

As these reforms began to take shape and began to be intellectually articulated by civilian allies within the state bureaucracy, a vision emerged of a future fully participatory social democracy constructed on the bases of an economic democracy consisting of various forms of worker-managed enterprises, and a political democracy based on government-sponsored interest
organizations. As we shall later see, this idealistic – even utopian – vision tended to overlook the interest of and difficulties posed by existing political parties, unions, cooperatives and other worker organizations, and the contradictions involved in the creation of democratic grassroots organizations by top-down, authoritarian methods and institutions.

**Legislating Economic Democracy**

The civilian government of 1964 had passed a General Cooperatives Law which, together with a number of fiscal and other incentives, had promoted the rapid growth of a wide range of cooperatives. However, these were mainly service cooperatives, including building societies, savings and loan cooperatives, consumer cooperatives and marketing cooperatives, with very few production cooperatives being formed. Weakly articulated internally, the cooperative movement tended to serve as a basis of economic support for the predominant capitalist enterprises and as a basis of political support for the APRA political party. Under the Juan Velasco government (1968-1975), the cooperative movement lost some fiscal and other incentives it had enjoyed, and tended to languish in a state of relative stagnation due to the unfavorable economic and political conditions it confronted.

Despite its generally negative attitude towards pre-existing cooperatives, the next major piece of reform legislation, the Agrarian Reform Law of 1969, sought to expropriate throughout the country and convert them into agrarian production cooperatives, rather than divide and distribute the land to former farm laborers and surrounding peasant communities. In fact, two forms of cooperatives were created: the agrarian production cooperatives (CAPs) composed of farm laborers who had worked on the estates before expropriation and who became the new owners and managers, and the agrarian social interest societies (SAIS), formed on the basis of sheep ranches in the high grasslands (puna) of the Andes, where ownership and control was shared between ranch shepherds and neighboring peasant communities. Both were, of course, production cooperatives but little attempt was made to coordinate their activities with those of other organizations within the nation's cooperative movement. However, second level cooperatives (called centrales) to provide common services such as purchasing, marketing, accounting, were sponsored. Except for their dedication to the export of specific products such as wool, coffee and sugar, the performance of the centrales was in general disappointing.

To complement these new forms of economic organization in the rural sector based on self-managed firms, the government, through its quasi-political organization SINAMOS (Sistema Nacional de Apoyo a la Movilizacion Social / National System to Support Social Mobilization), organized the Confederacion Nacional Agraria (CAN / National Agrarian Confederation) on the basis of local district agrarian leagues and departmental agricultural federations as a means for giving political representation to the agrarian sector. It suffered the weaknesses inherent in any new organization due to a lack of complete coverage and inexperience, as well as its attempt to ignore or bypass existing peasant organizations, especially the Maoist Confederacion Campesina del Peru (Peruvian Peasant Confederation). This strategy also was weak because of its initial financial and organizational dependence on government agencies, yet, the CAN was clearly the most representative and autonomous of all the political organizations created by the Velasco government.
In 1970 an Industrial Community Law was passed whereby all firms with more than five workers, or more than S/.1,000,000 in annual sales (about $U.S. 22,000 at 1970 exchange rates), were required to establish an industrial community composed of all workers in the firm, from general manager to doorkeeper. This community was to receive 25 percent of the firm’s annual profits, 10 percent to be distributed in cash among community members, and 15 percent in the form of company shares, either through the issue of new shares, or by buying out existing shareholders. Whether holding shares or not, the community was to participate in the shareholders’ meetings and have a minimum of one representative on the board of directors. Through this mechanism it was intended that over a period of years, workers through their industrial community would achieve a 50 percent share in the ownership and control of the company. It was never made clear what would happen when this 50-50 situation was reached, nor how potential impasses would be resolved. Yet rumors circulated that once a substantial number of firms achieved this status they would be converted into production cooperatives. Later laws created similar communities in telecommunications, mining and fishing firms, with the added twist that in the last two sectors, compensation communities were also established to redistribute shares and cash benefits from the more profitable to the less profitable firms.

As in the case of the agrarian sector, a representative political organization, CONACI (Confederacion Nacional de Comunidades Industriales / National Confederation of Industrial Communities) was organized. However, as Pasara et al (1974) have shown, in its founding conference, disputes between SINAMOS and the Ministry of Industry as to who would control (or “orient”) the nascent confederation led to later divisions, fatally weakening its effectiveness as a national spokesman for the industrial communities. This was further compounded by opposition or, at best, suspicion by unions and their national confederations which viewed the creation of CONACI as an attempt to undermine their power and influence. There was also widespread conflict with individual employers and employer organizations who viewed the industrial communities as a threat to their prerogatives and eventual existence.

Later, the Social Property Law was passed. Under this law worker self-managed firms would be created (although a number of pre-existing, bankrupt firms taken over by their workers were also incorporated), and they would be integrated into a sector where all the firms would be owned by all the workers in the sector. These firms could be created in any economic sector, and would receive top government priority with the goal that the social property sector would eventually become the predominant sector in the Peruvian economy and the principal basis of the eventual economic democracy. A new government agency, CONAPS (Consejo Nacional de Propiedad Social / National Social Property Council), was established to govern and promote the new sector in its initial stages. Also, a financial agency, FONAPS (Fondo Nacional de Propiedad Social / National Social Property Fund) was created to provide initial financial support and serve as a mechanism for social capital accumulation at the sectoral level. When a sufficient number of firms had been created, they would be grouped into regional units, and an assembly representing all the firms in the sector would be formed for planning and policy making purposes.

This new law and the self-management model contained in it reflected the culmination of five years of extensive experimentation and reflection over the appropriate form of self-managed enterprise in Peru. Unfortunately, it also represented a swan song for the Velasco government. By 1974 the effects of the world economic crisis were being felt in Peru, making the creation of
any new firm, whatever its design, an increasingly hazardous and difficult task. Political conflicts on a number of fronts with powerful sectors of society were also taking their toll in the increasing politicization and disunity within the armed forces. As important sectors of the society passed from estrangement to active opposition, newly emerging sectors of the rural and urban working class were insufficiently experienced and organized, and they lacked conviction that the government’s program was sufficiently coherent to warrant their total support. Finally, the president’s failing health seriously limited his ability to reconcile conflicts within the armed forces and maintain the hegemony of the fragile military-civilian bureaucratic coalition which had been the driving force behind the reforms.

Further Governmental Intervention

If the Velasco government had a reformist (or “revolutionary”) mission whose detailed outlines only became clear towards the end of its term, the new government of General Francisco Morales Bermudez, which assumed power in another bloodless coup in August, 1975, saw its mission as one of coping with what was perceived as a growing political and economic crisis. Although continuity with the policies and programs of the previous government was promised, within a year it was clear that this was not to be the case. A dramatic decline in export income, rampant inflation, a crippling overseas debt burden and lack of organized political support, led Bermudez to seek a reconciliation with those sectors of society, especially the urban bourgeoisie, which had been in conflict with the Velasco government. These new alliances, and the changed economic policies devised as a way out of the economic crisis, rendered the Velasco model, and the organizations created on the basis of it, increasingly irrelevant to the new strategy and potential threats to its implementation.

However, these changes did not represent any noticeable relief for the traditional cooperative movement. Though active harassment ceased, benign neglect was not sufficient for it to recover its former dynamism, and towards the end of the Bermudez government co-op leaders looked with increasing optimism towards a civilian government, especially if it were APRA-dominated.

The Bermudez government was prepared to accept agrarian reform as a fait accompli, and devoted its efforts to maintaining government control over CAPs and SAIS, defending them against threats of invasions from surrounding peasant communities and seasonal workers. Within the limits of a policy more inclined to give lip service to agriculture as the country’s first priority, rather than a real transfer of resources, Bermudez sought to consolidate the enterprises through such measures as forgiving agrarian debt.

Since the industrial bourgeoisie was one of the key elements in the new political alliance and its economic recovery program, the industrial community had little chance of surviving in its original form. In 1976 the legal definition of a small business was changed so that firms with sales of up to S/.32,000.00 at that date would be considered “small,” and for that reason exempt from the requirement to have an industrial community. By this definition about 60 percent of firms would be considered small. Later legislation eliminated the community’s participation in shareholder meetings, allowed the community’s share of the profits to be invested in forms other than the purchase of shares, and in the case of the latter, converted them into individual, rather than community, shareholdings. The theoretical maximum to which these shareholdings could
rise was lowered from a half to a third and the permission to transfer them after five years meant that the concept had been transformed into a form of widely distributed share ownership, with only nominal participation on the board of directors. Thus, the industrial community passed from being an evolutionary path towards co-determination or self-management, to a Peruvian version of peoples’ capitalism.

Under the Bermudez government, an ongoing evaluation of the social property sector was carried out. Many projects were dropped and its status was reduced from “predominant” to “priority,” and not even that was respected in practice. Emphasis was placed on investments in labor intensive, marginal and rural projects, rather than highly profitable, technologically sophisticated, and rapidly growing sectors. Also, the supply of capital was limited, and only made available on not particularly favorable terms. Growth was limited. In a travesty of the ideals of self-management and economic democracy, most firms were kept under strict government control until late 1979. Many found themselves locked into supplying segments of the market, especially when satisfying basic needs, whose purchasing power had been drastically reduced. When the Constituent Assembly produced a new constitution that failed explicitly to mention the social property sector, the government embarked on a frantic program to constitute the surviving approximately fifty social property enterprises. The hope was to organize regional units, and elect the sectoral assembly so that an independently functioning sector could be allowed to sink or swim in a sea of capitalism, faced with the waves created by the new, and not particularly sympathetic, civilian government.

This brief sketch of the various forms of self-managed enterprises created in Peru as part of an effort to create an alternative development strategy forms the backdrop for the following reflections on the successes and failures, problems and possibilities of self-management as a development alternative.

QUESTIONS AND REFLECTIONS

The remainder of Chapter 7 poses a series of questions and our answers and reflections on Peru’s moves toward economic democracy.

*Can a military government use the state apparatus as the principal agent for achieving a self-managed society, drawing from Vanek and Reiner (1978)?*

The actions of the military government in Peru since the 1960s have been subjected to diverse interpretations: a revolution to introduce a participatory social democracy (SINAMOS, 1973); the failure of military populism (Cotler, 1971); a capitalist modernization process (Petras and La Porte, 1971); a “peculiar revolution” (Hobsbawn, 1971); the process of constructing a nation-state (Wils, 1975); the consequence of neo-imperialist development (Quijano, 1971); the decline of the oligarchic state (Pease, 1977); and the culmination of the bourgeoisie revolution (Bollinger, 1977).

Despite the diverse approaches in the examples mentioned, all agree there was a process of change introduced by the state apparatus. The military government claimed to be carrying out these strategies in order to create a self-managed society. Knight (1975) and Scurrah (1978) have criticized the strategy’s effectiveness; Franco (1979) has analyzed the contradictions and
limitations involved in its implementation; and others (Padron, 1977) have argued that it was an
unviable objective from its inception since it implied committing “class suicide.”

Looking around the world, it seems that strong governments are those that implement
policies of modernization and macrosocial transformation. Poulantzas (1976) has developed
some theoretical concepts for understanding the limits and possibilities of these governments in
the context of dependent capitalism. What are the additional considerations to be taken into
account in this context? Do strong governments still have a role when the class struggle and the
advance of the popular sectors towards a better standard of living gain momentum? What do
these governments represent, and what alliances and strategies should the working class
develop? Is the transition from a strong government to a truly participatory one possible? Is the
capture of the state by economically powerful sectors inevitable?

*Given the new international economic order, what are the possibilities for building successful
models and forms of self-management in underdeveloped countries?*

To what extent does the capitalist articulation in the world market leave open the
possibility of introducing elements of self-management in the development of dependent
capitalist countries? The strategy of the “non-aligned countries” implemented, for example,
during the first phase of the military government in Peru, enabled certain negotiating margins
with large-scale capitalism to be created. Later, Peru developed a different policy, concentrating
its relations in the geopolitical blocks, with Latin America first, which tended to undermine its
bargaining position with international capitalism.

In addition, the international economic order aims at creating conditions in the
international scene for actions of revolutionary transformation. What are these conditions? To
what extent does the creation of these new conditions and opportunities depend on the outcome
of North-South dialogues? What is the significance of the role of the transnational corporation in
this context, and what is the impact of the common interests among the technobureaucrats in
transnational, state and national capitalist enterprises? What are the prospects for, and
limitations to, the implementation of self-managed systems in these circumstances? Are
alliances and strategies possible? How is the situation and composition of respective local
bourgeoisies reflected in this new order? What strategies for implementing their political models
remain for the future? How do these conditions differ in Latin America, Africa or Asia? How
and why could a self-managed system be either useful, or counter productive, for their aims of
domination and exploitation?

*Who should be the promoter or agent for introducing self-management? How can such changes
be institutionalized, and by whom?*

The introduction of self-managed forms of organization undoubtedly requires an agent to
carry out the functions of promotion, training, economic, financial, technical and managerial
support (Vanek, 1973), as well as forms of political education and management. Can the state
apparatus carry out these activities? What are the consequences of its role as promoter of self-
management?
When the promoter is the state, as in the Peruvian case, a set of contradictions and reactions are generated which diminish the possibility of creating effective forms of self-management. At the same time, however, these contradictions stimulate self-management because of the reaction against state verticalism. This becomes evident when the worker discovers that this same state apparatus restricts and limits his access to the forms of participation which he is supposedly able to enjoy. Our experience shows that when the state is the principal agent for promoting self-management, it negates the elements of initiative and autonomy that are inherent to self-management. It directly opposes the spontaneity and democratic traits that self-managed show when used by the workers for their own ends. This is confirmed by other historical examples in other nations such as Yugoslavia and Spain (Tusquets, 1977).

What other social force, apart from government, can carry out this role? Political parties? Unions? The church? The Catholic Church in Latin America, for example, has acted in coordination with the establishment on some issues. But, since the Second Vatican Council and the Medallin Conference, it has adopted a position much closer to that of the popular sectors (Roncagliolo, 1977). Skalick (1975) has described the relationship between self-management and the Catholic Church, and for the Peruvian case Padron (1977) has described examples of church support and promotion in rural areas.

But it is equally important to discuss how the self-managed mechanism that is introduced can be institutionalized, and how the state may incorporate it into its own activities of class representation and control. Kester (1976) analyzed this problem in the Maltese case.

Ought self-management be understood as a utopian model, or as a process of mobilization and societal change?

This is a question that, to a certain extent, summarizes the opinions and strategies of the different social forces concerned with self-management. The political parties of the left in Peru consider the utopian aspect of self-management to be an argument against it, while in the Yugoslavia case, for example, its incremental and processal aspects were used as arguments in favor of utopianism (Pasic, 1977). The complexity of this question requires that its different aspects be treated in a disaggregated form.

The Meaning of Self-Management

Implicitly, in the writing of some theorists, self-management appears as an “ideal state,” as a final model to be attained, regardless of the context in which it is implemented (Vanek, 1971). For others, it is treated as a society with socialist-type conditions (Horvat, 1975) but this still doesn’t explain the costs required to reach such a level. There have been some attempts to identify self-management traits or characteristics on the basis of the analysis of some concrete experiences (Cornell, 1975). Finally, it is only since 1977 (Pasic) that the analysis of self-management as a historical process, rather than as a model that has been achieved or is to be implemented, has been begun. The Peruvian experience reveals more about this “process” than about an ideal model (that was never implemented). However, this model was employed to justify all kinds of excesses and abuses, including the “expropriation” of the management of the workers’ enterprises.
Self-management as an Ideological Device

In effect, it can be used in order to legitimize a de facto government that claims to be trying to transfer power to the workers (Padron, 1977). This seems to have been very much the case in Peru, where the meaning of self-management turned out to be different for the workers than for the public officials in charge of its implementation.

However, the fact that the concept of self-management is used for such purposes and for the promotion of participation, it plays a role in the agitation and conscientization of workers. They can compare the concrete situation in which they live, with its partial and bounded participation, with the grand works and promises they receive. For example, “The boss will not eat from your poverty;” “the land to the tiller;” “the worker has the right to determine his wage;” and so on.

Self-Management and Corporativism

The forms of participation introduced by the military governments in Peru have been characterized as corporativist-type mechanisms (Cotler, 1975; Palmer and Middlebrook, 1976; and Stepan, 1978). These studies argue that corporativism restricts participation to those areas that are not substantially related to the control of property, and the distribution of wealth generated in the society.

What are the essential characteristics of this corporativism? Is this a situation unavoidably and inherently linked to self-management? Or is it due to the fact that it is promoted by the state apparatus, instead of being held in the hands of the workers?

Enclaves of Participation

Generally, successful cases of worker participation are islands separate from the social reality which surrounds them, as illustrated by Israel and the cooperatives of other countries. A large part of criticisms of the corporativist model concentrate on this aspect, as reported by Fals Borda (1974) and UNRISD (1975).

But self-management cannot be understood as such. Its survival and expansion depends on the development of the productive forces within it, and on their articulation in economic, political and social forms that will enable it to expand its area of influence and action. Self-managed forms of organization involve an element of dynamism and resource mobilization that necessarily transcend purely local or regional concerns. Otherwise, they run the danger of distorting their very essence and converting themselves into ideal situations, isolated and precisely of the enclave type.

What is, then, the dimension of social, political and economic ferment to be associated with self-management and its concrete forms? To what extent does it constitute merely a sleeping pill for workers, isolating them regarding problems of their enterprises? Can they transcend this limitation? How?

Criticisms From the Right and From the Left
Criticisms about economic democracy from sectors of the left mainly focus on the argument that self-management constitutes a distraction, when not actually a drug, with respect to workers’ consciousness and interests. On the other hand, the conservative sectors oppose it to the extent that the possibility of participation by workers in the management and ownership of the society’s enterprises and of the resources and social wealth produced, undoubtedly constitutes a threat to the established order of things.

The Peruvian experience was shown a durable opposition that adopted various forms and that materialized on different occasions, with an increasing deterioration in, and restriction of, the margins or spheres of decision-making left for workers.

The labor community was thus an example in which from the possibility of progressive access to ownership and workers’ rights were restricted, until it ended as a form of individual share ownership for workers. In reality, this form of share ownership did not represent a viable form of either co-determination or self-management, since, even in the best of cases, when workers were able to retain ownership shares, they found themselves obliged to sell them on the stock market, pressured by a deteriorating economic situation that reduced their already limited financial means.

What kind of ownership is acceptable to the conservative sector of the society, and why? How is it used for its own good? What are the criticisms from the left? Which criticisms are sound, and which not? Can one conceive of a viable strategy which would take these criticisms into account, and take advantage of the margins from the right?

Self-Management and Trade Unions

In terms using of self-management by the state, a role for the union has been denied under the pretext that the workers are now the “owners” of their enterprises, and that for this reason, an organism for defending their interests against themselves would not make sense. This approach, in the Peruvian case, created confusion and error. In addition to being illogical in and of itself, it involved a fundamental error in that it supposed that the society already was self-managed, and that for this reason the worker has no need for unions.

On the other hand, as the military government has itself acknowledged on repeated occasions, the predominantly capitalist condition of the society had not changed. Self-managed forms are introduced in a capitalist environment, both nationally and internationally, and in this context the union has demonstrated its effectiveness as an instrument of struggle, and for the organization of the workers in defense of their interests. Union leadership and organization involve much more than the simple wage or economic claim inside the firm. They represent a mechanism for articulating the interests of rural and urban workers, and for enabling them to assert themselves on the national scene.

Additionally, they constitute one of the forms of political education which the worker is used to and familiar with. They provide him with experiences and results that, where necessary, can be evaluated and corrected.

The union is indispensable as a form of organization that complements that of self-management. Under conditions of worker exploitation, as in capitalist societies, it constitutes a
mechanism for the defense and realization of the worker’s own interests. What are the limitations of the union and the importance of whether it is democratic or authoritarian for the creation of a self-managed society? What are its advantages? What are the experiences to date? What has the role of the union been under different historical conditions?

In what ways does the union organization enable the limits of the enclave to be transcended? What roles do education and conscientization of the worker concerning his conditions of exploitation play? In what way does the union allow him to create forms of economic and political articulation and organization that offer more effective resistance to the ideological uses of self-management? What are the limits imposed by the positions of left-wing parties? Is a political strategy that builds self-management by the popular sectors possible?

The Definition of the Scope of Self-Management

Self-management implies participation in its widest sense, including at the level of the enterprise itself, and all the matters to be decided in its management, and at the level of the society as a whole, including the sphere of political decisions. But self-management, when it does not include specified areas in which the worker can exercise his decision making, ceases to be a mobilization factor.

In this sense, the Peruvian experience provides various examples for understanding this phenomenon. Land and participation, for example, were offered to the rural worker in generic and, therefore, ambiguous terms. Yet the individual could not decide what to produce, how much to produce, what price to set for his produce, how much income he could receive, or even how to market the produce. The margins or scope of one’s participation was thus reduced to their minimal levels because of the lack of any defined and precise boundaries.

By contrast, it is surely the case that, in imposing such boundaries, the state apparatus would have restricted the definition of participation, thereby revealing its abuse of the concept.

This would have enabled the worker to clearly identify the spheres in which he was not permitted to decide, thus generating an additional reason for protest over the types of decisions forbidden to him. But, in this case, he was offered participation in broad, general terms. In practice there was very little about which he was allowed to decide. Once again, the contrast arose between what was said about that which was really permitted, a contrast that served to create agitation. It became a catalyst for the worker becoming aware of the reality in which he lived, and of the unviability of the model proposed by the state apparatus from above.

In addition, the fact that self-management was presented in ambiguous terms meant that it had a different meaning for the worker than for the public official charged with its implementation. For the peasant, it meant the possibility of improving his standard of living and his access to the decision making structure. For the functionary it signified an ideological device in whose name the worker ought to abstain from strikes, work stoppages, and economic and political demands, because in making them, he would be undermining his own interests as “owner,” theoretically, of his firm. An instrument of liberation in one case, and of oppression in the other, self-management was left ambiguous and used as an ideological tool by the dominant sectors of the society.
It is worth pointing out, however, that these distinct meanings will always exist, since they arise from the class position of the worker, the public official, or of whoever acts as the promotional agent of self-management.

But it seems to be equally clear that self-management, even when used as an ideological weapon for rationalizing and defending an existing order, incorporates elements of mobilization and conscientization. This occurs when the worker compares the real situation in which he lives with that society, or aspects of it, with full participation that the state apparatus, or whoever uses the concept, offers him, even when they do so for their own ends.

**Problems in the Implementation of a Self-Managed Sector**

In Peru there was an attempt to implement a self-managed sector in the society: the social property sector. It would therefore be appropriate to make a more detailed and minute analysis of the strategy, the achievements, the difficulties, and the causes of its deterioration and almost its deformation as it appears today.

Did it represent a final model pushed by a group of utopianist libertarians who could not realize their goal because of the specific circumstances surrounding the military government? Was the strategy of promoting many self-managed organizations carried out in order to be able to count on seeds from which a better one would later prosper? Should they have been more realistic and pragmatic, or, by contrast, even more audacious in the creation of such enterprises? Were the financial mechanisms sufficiently flexible and opportune? Was the logic of economic profitability firmly established, or should it have been?

Should they have avoided, as seems to have been the case, forms of political organization for articulating the enterprises? Should the production cooperatives and industrial communities have been included? Was a political party necessary to sustain and defend self-management, and the interest of the workers and the reforms and improvements obtained? Was it possible, or should it have been possible, to distinguish between an economic and a political sphere for the organization and representation of the workers? What was the role played by the concrete social property enterprises created: Villa El Salvador (CUAVES), Decision Campesina, Moto Andina, etc.? Were the institutionalization mechanisms created, such as SINADEPS and FONAPS, sufficiently autonomous and in the hands of the workers themselves, or were they simply additional elements for control by the state? Were they then promoters, or controllers of popular initiatives?

**Self-Management and “Group Egoism”**

When forms of self-managed organization are introduced within a capitalist context, they face a hostile environment that can have various consequences. The first is that of subsuming these forms within the ruling capitalist system, converting them in this way into another kind of firm operating within the logic of profit-making. A second consequence may be violent opposition both at the level of words and actions leading to their disappearance. A third type of result is the deforming of the enterprise, that is, causing it to lose its self-managing character through the effects of group egoism.
The Peruvian example of the sugar production cooperatives offers food for thought in this regard. They were introduced into a capitalist environment in conditions of generalized unemployment, exploitation and extraction of the surplus generated by workers, carried out by the state and through the market to which production was oriented. The state apparatus controlled and supervised the cooperatives, yet they lacked a design beyond that of the individual enterprises that would incorporate other organizations at the regional level. These conditions constituted a set of factors that favored the rise and development of the group egoism, that the worker who was a member of a production cooperative experienced against other workers.

But the Peruvian experience also offers contrary examples of landless peasants incorporated into cooperatives at the initiative of the cooperative members, in spite of the logic of income maximization. Various mobilizations, land invasions, pronouncements and concrete struggles sharpened the worker’s perception that this group egoism had its origin in the capitalist system in which he found himself.

Is the egoism of the workers, then, a consequence of the system in which these different forms of organization are inserted? What is the price of solidarity when the remuneration for individual work is different from that received for collective work? How can this egoism be combated? Are there cases when this has occurred? If so, what were the results?


The introduction of self-managing forms of organization, within a context of institutional change, requires a definition as to who are the actors in such a process of participation. Workers, citizens, socio-political organizations and the apparatus of the state are, perhaps, the four most clearly identifiable agents. They are the ones who are going to participate and exercise their right to determine decision making.

But their participation will be real and effective only when the reasons for participating are clear and defined. The identification of what is distributed, of the scope or sphere of decision making, is thus an equally indispensable element. When their immediate interests are more directly affected, their participation will be more intense. But when the subject of participation is more remote or ambiguous, it becomes deformed and can be susceptible to manipulation by workers. There may be participation in decisions about the social use of wealth generated, and about resources and their distribution and use, but only to the extent that they are identifiable and clearly defined.

It is also important to be able to count on clear rules of the game which guides this right to decision making. Whether we are dealing with geographical or sectoral units, or specific spheres of everyday life, there ought to be clear rules of the game, indicating possibilities and limits, that govern the exercise of participation.

The Peruvian legislation was not sufficiently precise about how to participate. The dimension of the commune, or district, for example, was not included in the analysis of other historical experiences of Yugoslavia, China and Poland, for example, were considered. They show that this is an important factor for establishing the limits to, reason for, and interest in participating.
To the extent that concrete aspects of participation are identified, interest will grow. Those interests, and rights, that have been expropriated from the worker and the citizen by the established order, by the state, or by the different sectors and social forces, will also be perceived. Self-management will then be on a realistic path, a historical process that it generates and feeds.

**FUTURE PERSPECTIVES**

Self managed organizations have lost the substantial support they enjoyed from the Peruvian state apparatus in previous years. Decades ago, the government’s gradually evolving political model placed increasing emphasis on the creation of self-managed enterprises as the economic building blocks and neighborhood organizations as the political building blocks of what hopefully would be a fully participatory social democracy. Indeed for a brief period, public discourse proclaimed that the social property sector would become predominant in Peru.

But, this support for self-management was never either unqualified or disinterested. The cooperative movement which preceded self-management lost a number of government financial and tax incentives, and suffered serious setbacks, principally because of its close association with the Accion Popular and APRA political parties, whose bases of support the government was keen to undermine. Although the cooperative movement was weakly articulated internally, and served to support, rather than question, the predominant capitalist system, the treatment received at the hands of the government served to create resentments and hostilities between the pre-existing cooperatives and the newly formed agrarian production cooperatives, SAIS and social property enterprises.

The later Bermudez government looked for political support from bourgeoisie, petit-bourgeoisie and foreign capital, as well as, of course, the armed forces. It distanced itself with increasing speed from the organized rural and urban proletariat. This led to a rapid drop in support for social property enterprises; an attempt to assert greater controls over the agrarian cooperatives and SAIS; the conversion of labor communities from models of co-determination to a version of peoples capitalism; and increasing repression of trade unions. The economic crisis, the politicization which threatened the unity and longer-term political power of the armed forces, as well as the loss of a sense of mission, and international pressure all led the Bermudez government to seek a way out. This was done via an agreement with those political parties the Velasco establishment had sought unsuccessfully to eliminate and which represented the social classes which now formed the basis of support for the government.

In this period of transition between military and civilian rule, there had been an effort to tidy up loose ends, defending the agrarian cooperatives and SAIS against peasant invasions in some cases, bailing them out of bankruptcy in others, and trying to put people on an independent and financially viable footing. Face-saving efforts were made to shore up the weaker social property firms, to try and get them on a sounder economic basis, and nearly all firms were suddenly found to be able to govern themselves, enabling the mechanism to be established. Thus, five regional units and the national assembly converted the social property sector into one, essentially being independent of state control and support.
These developments signaled a significant decrease in state control and intervention, and while the improving economic situation increases the chances for economic survival, the overall prospects for self-management in Peru are currently not very promising. The major political parties are firmly wedded to maintaining Peru’s condition as a dependent, capitalist society. Within that limitation, they are prepared to return to earlier policies in giving support and incentives to various forms of cooperatives as a way of humanizing the rougher edges of capitalism. This would also be a way of creating a popular economy serving the needs of private enterprise, and as a way of creating bases of political support. The past heritage of authoritarian creation, intervention and political manipulation means that the elements from which a popular economy could potentially be formed – various kinds of cooperatives, trade unions, social property enterprises and labor communities – are now disarticulated and divided politically, economically and ideologically. Once again, the political enmity between APRA and the Marxist left, which dates clear back to the 1920s, is reflected in the competition for support from, and control over, popular organizations. This practically eliminates the possibility that in the future a strong, united and politically articulate self-managed sector allied with other elements of a popular economy, especially unions, could present a credible challenge to capitalism in Peru.

Nevertheless, something remains. Not only have intense experiences been lived through, but also important lessons have been learned. A sufficient number of self-managed enterprises still exist to provide a potential training ground in democratic management for a significant number of workers. The potential exists for developing a dynamic and relatively self-contained people’s economic sector, if resources can be managed with skill and the economic and financial circuit is not closed. If political and ideological clarity are achieved, a popular economic base exists which could be employed in support of the struggle for liberation and development. Past experiences have taught important lessons and raised critical issues, some of which will aid in the continuous search for a viable national development alternative.
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