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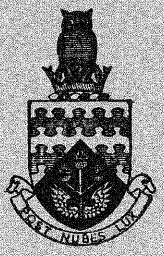

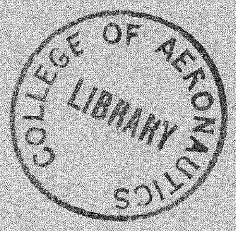

THE COLLEGE OF AERONAUTICS
CRANFIELD

Studies of selected aspects of
BUSINESS IN EUROPE NO. 5

by

Members of the Cranfield Management Development Programme No. 7

December, 1967

CoA Note M and P No. 17

January, 1968

THE COLLEGE OF AERONAUTICS

DEPARTMENT OF INDUSTRIAL ADMINISTRATION

Studies of Selected Aspects of Business in Europe

- by -

Members of the Cranfield Management Development Programme No. 7

CONTENTS

Preface

The Cranfield Management Development Programme is an intensive ten week course for middle management aged 28 - 45. The courses which are held twice yearly started in 1964; the seventh of these, M.D.P.7, was held from October - December 1967. The members of the course are drawn from a variety of businesses and have previous experience in one or more of the main fields of business activity, e.g. general management, marketing, production, finance.

As part of the course two weeks are devoted to studying business conditions on the continent of Europe. For this tour the members are formed into small groups who study particular projects. Throughout the visits the emphasis is on discussion with Senior Executives.

The specific objectives of the European Tour are:-

1. To use this exposure to a new environment to effect some measure of re-evaluation of their past business experience in the United Kingdom.

2. To acquaint members with business problems in different European environments and to provide an opportunity to discuss business problems with European managers.

3. To study problems that confront British companies who do business in or with European countries.

M.D.P. 7 were in Europe from 12th - 24th November 1967 during which period the following cities were visited; Gothenburg, Copenhagen, Hamburg, Rotterdam and Brussels. In each city discussions were arranged with a representative cross-section of the business community. These included British Embassy Staff, British Chambers of Commerce, Local Bankers, Industrial Companies, Advertising Agents, Trade Union Officials, Management Consultants, British Subsidiaries and the E.E.C. Commission.

This report is split into sections representing the work of the project groups.

The time available was not sufficient for a study in depth of any of the chosen subjects. Nevertheless the large number of interviews and frank discussions with British and foreign businessmen enabled the writers to gain an insight into many aspects of European business. The report must necessarily concern itself largely with opinions - those of the writers and the persons interviewed.

The College would like to express its appreciation of the co-operation and frank answers to searching questions received from all the businessmen, trade unionists and others we had the pleasure of meeting during the tour. We would like to give particular thanks to those who entertained the course members.

The success of the tour owes a very great deal to the hard work done on our behalf by British officials. In particular thanks are due to the Foreign Office (Economic Section), Board of Trade (Export Services Branch) and the Embassies or Consulates in the cities visited.

Management Development Programme No. 7

List of Course Members

Brush Electrical Engineering (Traction Division)	D.J. Adams	Chief Contracts Engineer
Smith and Nephew Limited	W.A. Beaumont	Manager, Polythene Products Division
Thomas de la Rue and Co. Ltd.	J.T. Cameron	Assistant Works Manager
The Diamond Trading Co. Ltd.	G.P. Claridge	London Secretary
Rootes Motors (Parts) Ltd.	D.H. Fenner	Management Trainee
Kodak Limited	D.G. Ford	Head of Control Department Engineering Division
Myers and Company	T.S. Harvey	Investment Analyst
British Overseas Airways Corporation	J.E.S. Hullah	Airport Manager, Johannesburg
Huletts S.A. Suger Mills and Estates Ltd.	W.R.M. Kullin	General Manager, Mount Edgecombe Mill and Estates
Reckitt and Colman (Overseas) Ltd.	S.A. Mackenzie	Sales Manager
Shell-Mex and B.P. Ltd.	T. Marsden	Regional Sales Manager
Ocean Steamship Co. Ltd.	R.A. Napier	Trainee Manager
British Ropes Ltd.	G.R. Park	Works Manager
Wm. Park and Co. Forgemasters Ltd.	C.T. Preston	Research and Development Department Manager
Public Works Dept. Hong Kong	H.D. Stead	Chief Engineer
Peak Frean and Co. Ltd.	G.F.H. Stephens	Assistant Manufacture Manager
Tate and Lyle Ltd.	D.A. Tate	Assistant to Management Accountant
Shell-BP Nigeria	J.M.H. van Engelshoven	Head of Engineering Planning, Nigeria
Constructora Nacional de Carros de Ferrocarril SA	V.M. Villasenor	Commercial Manager
Associated Portland Cement Manufacturers Limited	D. Watson	Deputy Manager, Swanscombe Works.

Pre-Tour Briefings at Cranfield

Tuesday 31st October		
Mr. F. le Fevere	Business in Belgium	Banque Belge
Wednesday 1st November		
Mr. K. Kristiansen	Business in Denmark	Royal Danish Embassy
Monday 6th November		
Mr. C.H.G. Witt	Business in The Netherlands	Royal Netherlands Embassy
Tuesday 7th November		
Mr. J.S. Norman	Export Services	Export Services Branch, Board of Trade
Wednesday 8th November		
Mr. P. Jones	Export Credit Guarantees	Export Credit Guarantee Dept.
Thursday 9th November		
Mr. B. Ramfors	Business in Sweden	Hambros Bank (Sweden)

Itinerary

A GOTHENBURG

November 13th Symposium at Gothenburg Chamber of Commerce.

(a) 'Sweden's Concept of Production'
Director Per Eriksson, A.B. Volvo

(b) 'EFTA as a Market for Britain, with particular reference to Sweden'
Mr. N.T. McKenna, Managing Director, I.C.I. Sweden

Lunch time discussions at residence of British Consul-General

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(c) 'Swedish Concept of Rational Transport'
Mr. Stig Axelson, C.B.E., Port Director of Gothenburg

(d) 'Swedish Labour Relations'
Mr. Lennart Westling, Personnel Manager, Lindholmen Shipyard.

Dinner discussions:- Chief Speaker - Mr. Axelson, Port Director

November 14th

Company	Industry/Business	Person Interviewed*
AB Gotaverken (Arendal Shipyard)	Shipbuilding	Captain Hans Forshell, Public Relations Manager
Gothenburg Container Port	Shipping	
S.K.F.	Ball and roller bearings	Director Per Aurell

*Most companies visited made available for discussion four to six of their directors or senior managers.

A number of prominent local and British businessmen participated in the discussions after dinner in each of the cities visited.

B. COPENHAGEN

November 15th

Company/Institution	Industry/Business	Person Interviewed
H.M. Embassy		His Excellency J.O. Wright, CMG, DSC British Ambassador. Mr. G. Booth Commercial Counsellor British Embassy
Handelsbanken	Banking	Mr. Neils Bruus
Faellesforeningen for Danmarks Brugsforeninger (F.D.B.)	Co-operative Association	Mr. Ebbe Groes, General Manager

Dinner:- Chief Speaker - Mr. Bendt Hansen, Director, Handelsbak

November 16th

Landsorganisation Danmark	Trade Union Council	Mr. Thomas Nielsen Mr. Peer Carlsen
Gutenberghus	Advertising Agency	Mr. J. Schou-Nielsen Mr. A. Jungersen
Industriraadet	Danish Equivalent to C.B.I.	Mr. Wigo Thielgaard

C. HAMBURG

November 17th

Company/Institution	Industry/Business	Person Interviewed
Masius GmbH	Advertising Agency	Mr. R.M. More, Manager
Handelskammer Hamburg	Hamburg Chamber of Commerce	Dipl. K.I. Palmeholt Deputy Manager, Bergendorfer Eisenwerk GmbH. Director Horst Hansen, Otto-Versand.
Sharps Susswaren	Confectionery Distribution (Subsidiary of British Company)	Mr. L.G. Pattison
Barclays Bank DCO	Banking	Mr. A. Sutherland, Director

Dinner:- Chief Speaker - Mr. K.W. Chesterman, Consul-General

November 20th

B.P. Benzin and Petroleum AG	Oil Products Refining and Distribution	Mr. D.F. MacCallan, Director.
Price Waterhouse and Co.	Auditors, Management Consultants.	Mr. L.T. Calvelli
B.A.T. Cigaretten Fabrken	Tobacco	Director Eduard Soring Herr Dr. Wormer
Deutsche Angestellten Gewerkschaft	Clerical Workers Trade Union	Herr Harry Ortmann

D. ROTTERDAM

November 21st

Company/Institution	Industry/Business	Person Interviewed
Lloyds Bank Europe Ltd.	Banking	Mr. H.C. Clapham
Stichting Havenbelangen	Rotterdam Port Institute	Dr. A. Blusse van Oud-Alblas (President)

Tour of Rotterdam Harbour as guests of the Stichting

Unilever N.V.	International company	Mr. P.J.A. Fabricius (Marketing Division) Mr J.H. Fransen van de Putte (Head Finance Department Mr. C.W. Ritter (Training Adviser)

Dinner:- Chief Speaker - Mr. Th. H. Joekes, Member of Dutch Parliament, 'Relationship of Industry and State'.

November 22nd

Holland International Reclame and Marketing N.V.	Market Research and Advertising	Mr. A.N.J. Vink Managing Director
Nederlands Verbond van Vakvereningen (NVV)	Netherlands Trade Union Federation	Mr. Velema
R.S. Stokvis and Zonen N.V.	Wholesalers, Manufacturers, Importers	Dr. H.J. Stokvis, Managing Director.

E. BRUSSELS

November 23rd

Company/Institution	Industry/Business	Person Interviewed
Federation Generale du Travail de Belgique	Trade Union	M. Georges Gogne, Asst. National Secretary. M. Springuel
S.A. Abair Potterton	Heating Engineering (Subsidiary of Potterton Ltd.)	Mr. J. Rice, Managing Director
Ets. Beherman-Demoen	B.M.C. Distributor	Mr. F. Allen, Administrator. M.J.E. Ballingnen, Technical Director
Association Belge des Banques	Banking	M.J. Jussiant, Administrator of the Banque de Bruxelles. M.A. Delvaux, Societe Generale des Banques. M.E. Thielemans, Kredietbank. M. Jonkmeere, Banque Lambert. Mlle. A. Raymackers, Counsellor of Association Belge des Banques.

Dinner:- Guest Speaker - Mr. W.J. Wilkinson, O.B.E. Belgian Representative, Barclays Bank.

November 24th

Visit to E.E.C. Commission	Mr. Cox - E.E.C. Mr. Morris - Euratom

Sources, Availability and Adequacy of Information for British Businessmen in Europe

- by -

J.E.S. Hullah	British Overseas Airways Corporation
G.R. Park	British Ropes Limited
S.A. Mackenzie	Reckitt and Colman (Overseas) Limited

The old military maxim that 'time spent in reconnaissance is seldom wasted' applies equally to the business world, but few military commanders can ever have found such a wealth of information available, or so readily displayed as was discovered during our rather superficial twelve day tour of Sweden, Denmark, Germany, Holland and Belgium, and during the pre-tour briefings received from representatives of the Board of Trade and European organisations.

As a result it is possible for a British business man going 'cold' to the European market to be swamped by the sheer weight of information available - selection of the right sources is therefore of prime importance and it would appear that as a starting point the Board of Trade cannot be bettered. This seemed to be borne out by comments of British business men already in Europe.

Board of Trade

The Board of Trade Export Intelligence Service is probably the best of its kind in Europe, but nevertheless appears to be inadequately used by a great proportion of British exporters.

There are for example three Export Handbooks published each year which give in detail the services which the B.o.T. provides - from how to get information and advice, Trade promotion overseas, publicity overseas, duty and tax reliefs, export regulations, finance, to suggestions on how to organise marketing overseas.

These handbooks are backed by a statistics and market intelligence library of over 85,000 volumes of statistics from other countries, 12,000 catalogues of foreign manufacturers, and foreign trade and telephone directories covering about 170 countries. All this is freely available for public use either by personal visit, by telex or by telephone. And at Export Intelligence headquarters in London the Export Services Branch provides information about export opportunities, market conditions and regulations which again can be had by telephone or telex. As an indication of current volume, some 50,000 letters alone are replied to each month.

In addition the B.o.T. produces daily an Export Services Bulletin, currently received by approximately 10,000 subscribers, which gives brief details of contracts put out to tender by overseas governments and local authorities, advance information about opportunities arising from capital projects, buyers and agents looking for British goods and business, and market pointers providing background information on situations and developments which may lead to exports.

This bulletin can be had for 10 gns a year and information will be on the subscribers desk within 72 hours from the time of its discovery. Much of this information is summarised in the weekly 'B.o.T. Journal' and supplemented by market surveys, changes in tarrifs and regulations, reports on recent successful export orders and details of fact finding missions currently going abroad. One of the great advantages of the B.o.T. as a source is its

immediacy - very little information provided is out of date other than when unavoidably so.

Once again, however, it would appear that selection of information remains a problem due to the sheer weight of the material available, and might suggest a need for more firms to have staff available to extract relevant items and precis them for management.

British Commercial Officers, now part of the Diplomatic Service in Embassies and Consulates, act as the overseas arm of the B.o.T. and apart from furnishing the B.o.T. with information and advice, are also able to recommend Agencies or Representatives for firms not wishing to establish their own subsidiaries abroad. This is done through the Export Services Branch and naturally requires a good deal of background information about the British Company in order to ensure a degree of compatibility between the exporter and agent.

Nevertheless one of the complaints heard in Europe was that in many cases when direct negotiations between exporter and agent took place on the European site, the status and ability of the British representative was too low and this final link in the chain of information proved to be the weakest. It was emphasized frequently that the most exhaustive documentary supply of information was no substitute for the final personal contact with persons familiar with the local market; in Sweden it was said that for every 12 visits by German representatives for example, there was only one by a British representative.

As an example of the value of personal contact in the search for information - again in Sweden - it was pointed out that in general Swedish business men stating specifications for an item they hope to buy from a foreign producer, consider these specifications as a basis for discussion, and not necessarily as their ultimate need. Not meeting the producer face to face entails a risk of the specification being accepted and possibly not fully met: in which case the purchaser would be expected to take the producer to law for breach of contract.

As far as can be seen this attitude is not mentioned anywhere amongst the mass of information on Sweden, but would become apparent to the exporter visiting the market and particularly if he operated with the assistance of the local British Commercial Officer or a good local agent.

It is generally known that the B.o.T. initiates Trade Fairs and 'British Weeks' in markets overseas, but it is doubted if sufficient British firms appreciate the value of these functions or make adequate use of them as opportunities to establish personal contact and widen their knowledge of the market. Brussels was the only city visited which had recently had such a week, and although it was too recent to evaluate its effect at least one instance of a British Industry's failure to make use of the information available was quoted - a stand had been allocated to a group of British firms when it was discovered that all the items of equipment to be displayed failed to comply with Belgian safety standards, therefore it was very wisely decided

to cancel that particular stand. But as a result of its failure to do simple research the group lost the opportunity to expand its exports in Belgium and also missed a chance to make personal contact with members of that particular market.

There were other examples of British firms at the same week who provided excellent display stands but did not make any attempt to widen significantly their understanding of the Belgian market.

British and Foreign Banks have a supply of information, the greater part of which is published, but which is naturally by no means as comprehensive as that of the B.o.T. and indeed much of it is superfluous from the prospective exporter or businessman's point of view. By this it is meant that the businessman must collate the published material and extract from it those parts which are really important to his business. The European Banks in the countries visited were only too willing to provide booklets dealing with everything from cost of living statistics to their country's foreign policy. Naturally enough, their interest in supplying information is tied to their hope that any resulting business will be done through them and therefore their publications contain a liberal amount of subject matter on their own progress. However, once this has been collated very useful data can be obtained.

The banks, both British and Continental, are also a valuable source of confidential information on the credit rating of possible customers, the status of agents, etc. There is a genuine desire to attract British capital and the banks, through their information services, are one of the best means of bringing this about. The General Bank of The Netherlands, to cite one example, has a section of its Foreign Department dedicated exclusively to Business Development.

Chambers of Commerce and British Industry

Local knowledge and experience is of obvious value and Chambers of Commerce are amongst the best places where this may be tapped. Their form and effectiveness appeared to vary somewhat. In Hamburg and West Germany in general the Chambers are grouped by several trades or interests and in addition a British Trade Council has its headquarters in Bonn and branches throughout the country.

The British Chamber of Commerce in Rotterdam was reported to be very active as was the Chamber in Brussels where its constitution had recently been changed to accommodate Belgian members. This change was believed to be a very real improvement in that it increased the sources of local information and went quite some way towards improving trade relations between the two countries as opposed to merely assisting British firms in Belgium. But once again the complaint was raised that insufficient British exporters, particularly those new to the Belgian market, made full use of the services and knowledge available within the Chamber.

On the other hand the impression was received that local organisations, chambers of commerce or kindred bodies varied greatly in the amount of information they were prepared to give British exporters. The Danish equivalent of the C.B.I. provided an intelligence service for its own members and were quite prepared to do the same for importers who made enquiries, and there were indications that the same attitude applied in Sweden. However, there was an impression that information was not quite so readily disseminated in Germany. This impression could of course be quite erroneous due to the limited time available for the enquiries.

The larger British firms approached either through the chambers of commerce or direct were often found to be very free with valuable information except where it would be of obvious value to competitors in a competitive position. Many could be approached through their U.K. offices for advice on local European conditions. One organisation, B.M.H. was mentioned as going as far as to set up its own information centre in Europe - in this case at Lausanne - to provide market figures, advice and assistance with marketing. Unilever intended publishing the results of a market survey on the understanding that it would help trade in general and attract some goodwill, but there was no evidence that this sort of thing would become a common practice amongst other organisations. However, it was suggested in Holland at least that some firms would be prepared to sell the results of such research.

One British firm in Germany made great use of a publication called 'The West German Market in Figures' which costs approximately £10 and is published with German/English text. The contents contained figures on virtually all market aspects including:-

Communities and Boroughs
Inhabitants and Households
Employment and Incomes
Disposal of Income by categories
Advertising media and expenses
Sectors of the Economy
Data on businesses in various boroughs.

And in parallel with this publication was a map series priced at approximately £5 by Dauf Kraft Karte showing the spending power in individual areas of West Germany. Both are published annually.

Consultants

It was evident from remarks made in Germany and Holland that valuable service can be provided by consultants but that it was of utmost importance to engage only those who were deeply involved in the geographical area being investigated. One British firm had retained a British patent lawyer to assess the legality of a brand name in Germany; and having had it cleared and committed themselves to advertising expenditure found that there was a strong enough resemblance to a local brand name to prevent its registration.

Company law, taxation and accountancy can also prove to be radically different from U.K. practice, and vary widely between countries within Europe. It was shown that the need for local and highly specialised knowledge in these matters is of paramount importance to the newcomver. A number of British accountancy firms and banks are in fact sufficiently entrenched in most continental countries to be able to provide this standard of service which is of course specialised even beyond the scope of the Board of Trade.

One firm of Chartered Accountants said it provides a 'Management Advisory Service' for British firms considering entry into the German market and that the cost of such service was strictly competitive as there were a number of others offering similar facilities.

The same need for specialist local expertise was advocated by advertising agents in Holland and Denmark when they explained with forceful logic that this is another field where failure to observe local practice and to understand the finer nuances of local taste can render expenditure on advertising useless. Many national or international advertising agents in U.K. are able to advise on the suitability of agents within Europe.

Governmental Sources

No government agencies were visited on the tour nor did we see many official publications, but no doubt these could best be reached through the Embassy, Consulate, or local organisations.

The information on the availability of statistics in Denmark was contradictory in that one source said that material was often out of date, while another said that the small size of the community facilitated rapid compilation of statistics. However, one small point of interest arose in that the Danish government will not publish market figures where there are only two major competitors, as this would presumably provide each with an insight into the others affairs.

Many governments provide special advisory services for certain fields. For example, the Dutch Ministry of Economic Affairs has set up a department to attract foreign firms and to assist them in dealing with local authorities where problems might arise from local planning, bye laws or similar practices; and Denmark has a Technical Information Service with nine offices throughout the country where information is available on current research problems and allied matters.

Conclusions

If any valid conclusions can be drawn from an exploration of this type they are that:

a) there are very few deficiencies in the supply of information but quite inadequate use of it is far from uncommon amongst many British business men,

b) failure to make adequate use of this information can often be quite disastrous and

c) the need for careful interpretation and, above all, the time required to collect and analyse the valid parts of this mass of detail is often underestimated.

In support of this last conclusion it was noted that one U.S. firm spent over a year investigating the admirability of entering the German market and a British bank almost the same length of time reviewing the Dutch situation. Both were successful and widely experienced organisations. On the other hand examples were given in all five countries of smaller firms spending a matter of a month or less on their search for information and making appalling mistakes as a direct result.

Obviously the time and money required in this exercise has to be limited for many concerns, but by using the Board of Trade services and fully appreciating the need for comprehensive information on a market which can be radically different from the home market many British business men could change failure into success.

European Business Financing and Facilities for U.K. Companies Commencing Operations in Europe

- by -

T.S. Harvey	Myers and Company
T. Marsden	Shell-Mex and B.P. Ltd.
C.T. Preston	William Park and Company, Forgemasters, Ltd.

The object of this report is to give, in broad outlines, matters for consideration when establishing a business in the five countries visited, viz. Sweden, Denmark, West Germany, Holland and Belgium.

As the project developed it became apparent that few generalisations could be made and to clarify differences between one country and another, it became necessary to investigate local company laws which affect the attitudes of management when making financial decisions.

For easy reference the position in each country will be dealt with separately.

The time available for investigating company finance in each country was very limited, and in some cases it was difficult to obtain a full picture of the situation. In many instances it was not possible to cross check the information quoted and whilst it is believed to be correct it cannot be guaranteed and should be used with discretion.

SWEDEN

There are three principal ways in which an overseas company may invest in Sweden - by establishing a subsidiary, a branch, or a trading partnership.

By far the most satisfactory arrangement for any organisation seriously entering the Swedish market is to establish a subsidiary. This can be done by forming a limited joint stock company. This will require at least three of the founders to be Swedish subjects and each of them must subscribe at least one share in the company before the subscription list is opened to the public.

The minimum share capital of a Swedish company is fixed by law at Kr 500, there is no upper limit but the minimum capital issued must be at least one third of the maximum amount stated. All classes of share must be of the same nominal value, usually not less than Kr 50.

In a small company it is sufficient to have one director, but where share capital exceeds Kr 500,000 there must be at least three. In the event of there being three or more directors a Managing Director must be appointed to assume responsibility for the running of the company.

In general only one director is involved in the day to day management of the company, other tasks being undertaken by professional management.

Tax rates in Sweden are slightly higher than those in the U.K. but generous allowances are made for writing down plant and it is not uncommon to complete the write off in five years and to have commodity stocks written down by at least 60%. In addition up to 40% of profits before tax may be committed to an investment reserve which does not attract tax. 47% of this reserve must be deposited at the Central Bank. The reserve may be utilized at the companies' option but with government consent for the financing of new capital projects. If it is used at the Government's request a further

10% tax rebate is allowed.

The commercial banks of which there are sixteen in Sweden (although 80% of the total assets of all commercial banks are owned by five of them) provide a considerable amount of company finance. The stock exchange is relatively small and is not able to raise large sums of money. The lendings of commercial banks are normally for one year but loans are often repeatedly renewed making them virtually long term. Industry is one of the largest borrowers from the commercial banks and the value of total loans has increased from Kr 2658M in 1960 to Kr 5579M in 1966. There are some 420 savings banks who also make loans for agriculture and small loans to industry and commerce.

There is a stock market though its activities appear to be very limited. Many of the large companies seem to have a tight control over the movement of their shares and companies which would be ripe for 'take over' in the U.K. are therefore relatively safe.

Swedish companies seem to favour internal financing wherever possible and a number of very large companies have very little debt financing. When investing in new projects they are looking for a return of between 16 and 20% before tax on capital employed. One very large company distributes about 10% of its cash flow in dividends and ploughs back the remainder in one form or another.

The government assists industries to invest in undeveloped parts of the country but generally speaking Swedish industry is almost entirely privately owned. Over 90% of the industrial labour force work for independent enterprises and 4% for consumer or producer cooperatives.

DENMARK

When establishing a business in Denmark it would be worthwhile remembering that by international standards Danish industrial firms are relatively small. Many firms are particularly specialised and this has to some extent offset the advantages of large scale operations.

The size of business enterprises are as follows:-

2.1%	of employees work for firms employing	0 to	9
21.1%	of employees work for firms employing	10 to	49
14.7%	of employees work for firms employing	50 to	99
14.4%	of employees work for firms employing	100 to	199
20.2%	of employees work for firms employing	200 to	499
27.5%	of employees work for firms employing	500 and	over

Only 20 plants employ more than 1,000 people.

Foreign entities and persons may establish any of the legally recognised forms of business enterprise which include companies incorporated in Denmark, branches of foreign companies, partnerships or individual enterprises.

A minimum of three persons is required to establish a company. The majority and not less than three of the founders must be residents of Denmark and Danish citizens or have been residents of Denmark for the previous five years. A company may not be incorporated with a share capital of less than Kr 10,000. The share capital must be paid up within one year of the subscription list being opened. The Board of Directors must consist of not less than three persons the majority of whom must reside in Denmark. A manager or managers may be appointed to carry out the day to day running of the company; for companies whose share capital exceeds Kr 100,000 the appointment of a manager is compulsory. Managers must be residents of Denmark and must also be Danish citizens or else have been residents for the previous two years.

The Danish economy expanded very rapidly during the period 1958-1965 and this factor together with keen competition has reduced industry's ability to finance itself. In the middle fifties the Danish industry covered five per cent of its investments by long term loans, today it is 40% and it is estimated that this figure will have grown to 60% within the next five years.

Interest rates are historically high in Denmark and current rates charged are between 9 and 10%. Company tax is between 47% and 48%. Most industrial financing is done via the banks who operate in a bond market. The bonds are issued by mortgage credit societies and secured on land and buildings. The bonds are often long term covering periods up to 45 to 60 years. There are some 60 banks operating in Denmark, and the four largest enjoy 60% of the total business. Companies wishing to obtain loans for business purposes would normally be able to obtain finance through the banks and at the moment funds are readily available for industrial and commercial purposes. Very few company shares are quoted on the stock market and nearly all dealings are in the form of bonds as described above.

Nearly the whole of Danish industry is privately owned. The government is prepared to give assistance to certain industries e.g. shipbuilding and to companies in the under developed areas. Assistance is usually in the form of loans at subsidised interest rates.

GERMANY

There are a number of methods of setting up a business in Germany but in practice only three are likely to meet British Investors' requirements. These are the branch office, the public limited company (A.G.) and the private limited company (G.m.b.H.). The first is primarily suited to servicing companies such as accounting and the second to large companies who will probably require to raise capital locally via the German stock markets. The third method, the G.m.b.H. is usually best suited to British needs.

The G.m.b.H. is similar to the English private limited company in that its shares cannot be quoted on a stock exchange and it need not publish its accounts. It must have a minimum capital of D.M.20,000 and two or more shareholders who must draw up articles of incorporation which have to be certified by a public notary. In addition a G.m.b.H. must be entered in the commercial register and a copy of its articles and certain other information lodged with the local court. Furthermore, whichever type of company formation is selected there are certain other statutory provisions, namely notification of the local Land Central Bank within two weeks of commencing trading and obtaining membership of the local Chamber of Commerce.

Apart from these methods of setting up a German company there is also the possibility that with labour scarce it may be more practical to acquire an existing concern.

The German taxation system differs considerably from other European countries in that profits are in the first place taxed locally through a municipal profits tax which averages about 14% throughout the country, and then the remaining surplus is taxed at 51% on undistributed profits or 15% on distributed profits.

The banking system in Germany plays a very large part in the financing of industry. In contrast to the U.K. it makes longer term loans and may invest directly in industry. It also acts as dealers and brokers on the eight stock exchanges in the country and underwrites the majority of loan and share issues. Generally speaking banking charges and the costs for issuing securities on the German stock market are appreciably higher than in the United Kingdom. However, interest charges on loans from banks are understandably lower than those prevailing in the U.K. at the present time though this comment must be qualified as German borrowers are liable for interest on their agreed maximum borrowing facility with their bank rather than the amount taken up at any one time.

There are no restrictions on the transfer of capital to or from Germany and in general terms it may well be cheaper to provide capital from the U.K. if Bank of England permission can be obtained. Utilisation of the U.K. investment dollar pool is currently out of the question because of the large premium payable. Internal generation of funds by German companies currently accounts for about 50 to 60% of gross investment compared with 70% a decade ago. The banking system provides most of the additional borrowing requirement with the stock exchanges playing rather a restricted role.

Special government concessions are available in certain areas, mainly bordering on East Germany, in the form of cheap loans based on the amount of jobs created, with an interest rate of $3\frac{1}{2}\%$ and timespan of 15 years. There are also special depreciation rates for these areas and 75% of the capital investment can normally be written off in two or three years.

It is worth mentioning that accounting procedures in Germany are extremely

strict and failure to have the accounts agreed by the government employed auditors who visit every three or four years can result in the loss of financial privileges.

THE NETHERLANDS

Many forms of company exist but most foreign firms choose to set up as limited liability companies (N.V.) or branches.

A limited company is set up by two founders, and after formation shareholders need only number one. Neither shareholders nor firm's officials need to be Dutch. Foreign investors must normally provide at least 50% of the capital and again U.K. companies would find it better to move capital from the U.K. to a subsidiary. Corporate tax is payable on all profits at 45% if 50,000 guilders or more or 42% for 40,000 guilders or less. A land tax exists which is 6% on income from land but this is an allowable expense against corporate tax. Banks are the main source of such finance as one gets in Holland - short term loans and general credit.

Money cannot be lent for the purchase of shares but loans can be made to U.K. companies in Dutch guilders saving capital premiums.

Incentives are given to attract foreign and internal companies to the development areas. These are in the non-industrial regions of the north and in the south and east.

Rotterdam is in the expanding belt around the Europort area and has over employment, thus policies are directed to provide a drift of industry inland.

Monies raised through banks costs 8 - 8½% but in general industry finances through retained earnings supplemented as need be by loan capital. Recently profits have decreased and continued expansion will require more loan financing.

Labour is not very mobile in Holland and tends to be tied to family units, hence the government is trying to move industry to the people. However, only certain industries are viable in the remoter parts and incentives are needed to attract industry. Cheap loans are available and tax rebates are given in the special areas.

BELGIUM

Seven forms of company exist in Belgium, ranging from partnerships to joint stock companies. Most U.K. companies have set up subsidiaries for taxation reasons, rather than separate entities.

The two main types of company are the equivalent of the limited liability company and the limited partnership. Companies set up as Belgian concerns or subsidiaries with foreign stockholders are subject to similar laws. Company directors do not need to be Belgian nationals, they may all be foreigners

and reside abroad, and Belgian capital need not be represented in any amount in the total equity. Any amount of profit or capital can be repatriated to other countries.

A guarantor is required to ensure that taxes will be paid, this is usually a bank, and although bookkeeping may be done abroad, accounts must be such as to show the proper results of the Belgian company to the authorities. In a company with limited liability the Board must be composed of at least three directors; they are not necessarily shareholders.

A corporate income tax exists which is levied on profits and investment income. Losses may be carried forward for five years. The tax rate is variable being 30% above 1 Mill B Frs, 25% below 1 Mill B Frs and up to 35% above 5 Mill B Frs on retained earnings - distributed earnings are taxed at 30%.

The distributed dividends are freely determined by the company, the dividends are subject to company tax and withholding tax accumulating to 42.75%. Depreciation can be fixed or variable methods, fixed straight line rates being as follows:-

Buildings	5% p.a.
Light equipment	20%
Heavy equipment	12.5 - 15%
Vehicles	20%
Small tools	33.3%

The alternative diminishing balance linked depreciation is allowed for equipment with a life of six to nineteen years - the rate in such cases cannot exceed 20%.

There are four large Belgian banks; they in turn are the largest shareholders in Belgian industry. The Societe Generale de Banque holds 40% of the total deposits in the country, and together with the three other large banks it finances the majority of industry and is a large shareholder through investment trusts. Through these banks finance is readily available. Taxation favours financing of industry by retained earnings, and up to 70% of profits can be reinvested.

Long term loans are available through the capital market and a bond market is in existence. An interest rate of 8% holds for bank loans.

Banks provide medium and short term credits for industry and special facilities for exporters are available through 'credit export'. A special national finance corporation exists to assist developments in new fields and to help industrial diversification. U.K. companies will tend to raise their capital in the U.K. wherever possible to avoid paying the premium for Euro dollars.

Belgium has its areas which have been badly hit by depression, particularly

the south where coal-mining is being cut back. To help to reutilise the labour special government incentives are given to attract industry to these areas. This assistance takes the form of building loans, injection of working capital, general finance and special tax concessions, the banks assist companies preferentially in these areas.

The Attitude of Top Management Towards Computers

- by -

D.H. Fenner	Rootes Motors (Parts) Ltd.
R.A. Napier	Ocean Steamship Company Ltd.
D.A. Tate	Tate and Lyle Ltd.

'I don't like the sound of them at all. I don't trust them a bit' - but later: 'It is impossible to work without them'.

'E.D.P. has eased the daily work load very considerably'.

'We are hardly emerging from the stage when computers are glorified clerical machines. We now want maturer thinking and ability to judge the future better'.

'In an emergency, management moves back from the computer to the back-of-the-envelope, entrepreneurial technique'.

'Germans like new things. We often have to check the enthusiasm of management - computer manufacturers do their job very well'.

'There is more trouble in getting enough time to attend training programmes than in finding training itself'.

'Training courses are the pestilence of top management'.

These are some of the diverse attitudes to the use of computers that we found on our two-week tour in Europe. What can be learnt from off-the-cuff statements like these by managers in different industries in different countries? Maybe not very much, but first it must be made clear that our object was not to carry out a scientific investigation into continental business methods; it was to add interest to the tour and provide a clear sense of purpose, particularly at those inevitable sessions when interest tends to flag. To these ends, the subject of computers was chosen - a subject in which we three are all interested. Knowing that in the U.K. computers are often misused and misunderstood, we were interested to see whether the same applied on the continent. Particularly, we wanted to find out whether the full potential of computers as management tools is understood, and to what extent they are being used in the more advanced fields of information systems, inventory control and simulation.

To conform to the type of visit we were expecting to make, we devised a questionnaire based on these questions: Have you got a computer? What are its main uses? What criteria were used to deem it necessary? What have been the benefits from using it? and what problems have arisen - staff, organisation, education, etc.?

As background information we collected some statistical data. These are worthy of study (in a leisured moment), but the most relevant facts for our purposes are the number of computers installed in the countries visited:

	Total Population (millions)	No. of computers installed (June, 1967)	No. of computers per million inhabitants
Countries visited:			
Sweden	7.2	430	60
W. Germany	59.3	3,300	56
Denmark	4.7	220	47
Holland	12.4	500	40
Belgium	9.5	320	34
Other countries for comparison			
United Kingdom	55	2,200	40
France	50	1,950	39
U.S.A.	195	32,500	166

In comparison with the U.S.A., the European figures are low, but they do show the lead established by Sweden and W. Germany.

On the tour itself we visited several different types of organisation - industrial companies (both national and international), banks, trade unions, service organisations, etc., and in the course of discussion, we talked about several more. Some had computers; some had them on order; most of our hosts were prepared to talk about computers, often very frankly. However, there is no point in cataloguing all our findings visit by visit. This report is divided under the types of organisation that were visited, in the hope that some semblance of a general pattern will emerge.

National Companies

German companies are particularly prone to installing computers just 'to keep up with the Jones', and a consultant, engaged in post-installation feasibility studies, has found that up to 50% of firms had chosen the incorrect machine for their purpose. One advertising agency has even admitted defeat to the extent of removing its invoicing and accounting from a bureau computer; in Germany the detailed tax authority requirements limit the possibility of using computers for accounting purposes. Only one company visited - in Holland - took the advice of consultants before installing a computer, and even so seems to be employing it in a half-hearted fashion; after three years it is still only being used for invoicing, and the company is thinking about stock control.

But this attitude is not reflected in Scandinavia, where a lot of serious thought has gone into the planning of installations, even though here, as elsewhere, no actual savings could be forecast or quoted in retrospect. The Gotaverken shipyard at Arendal is an impressive example of modern production control techniques, which also embrace stock control. Volvo use their computer for similar purposes, and have developed such a sophisticated stock system that they never hold more than 3-7 days stock of foreign material and 24 hours of Swedish; this covers over 1,000 suppliers and 63% of their total input material. The improved information system has aided management control and future planning, giving important financial savings. These two companies are more advanced in their application of computers than any other purely national company that we saw, and Sweden in general is thinking further ahead in the use of computers. One large holding company in Stockholm receives daily from its units mounds of punched cards. Although the H.Q. passes no information back, it is considering, in conjunction with the government and other firms, a system whereby all wages, salary and required financial information would be passed to the tax authorities on magnetic tape, thus cutting out the expensive intermediate stage. These sophisticated information systems feature strongly in Swedish top management thinking.

Advertising agencies - seen in three countries - all talked of the growing use of computers in media planning, but the agency in Denmark was the most practical. Here middle (operating) management threw doubts on some of the all-embracing simulation techniques suggested by computer manufacturers, and are devising their own system which combines the simulation of accurately quantifiable factors with the use of management judgement on less measurable forces.

Nearly all these firms also use their computers for general clerical purposes, e.g. invoicing, but in all countries too much management thinking seems to go no further than this. The exceptions are noticeable, and it is significant that those who already have more sophisticated systems are the ones who foresee the biggest advances in computer applications in the future.

International Companies

From the limited contact we made with international companies in Europe, the indications are that the majority of these organisations are making use of computers in their operations. However, in the cases we discussed, the uses are limited to clerical functions, inventory control and production control.

It was evident that an extension to these applications is being planned by some companies to make further use of their computers in the technical field and in improving information systems.

Alfa-Laval's subsidiary in Germany has recently split its accounting information into two groups. One is the normal routine accounting and the other a management information service. This alteration has enabled them to

speed up the flow of relevant information to their management and at the same time improve the presentation so that it can be more easily understood. In order to achieve this up-to-date information service a 5% discrepancy in the figures is tolerated, but this is considered a small price to pay for the advantages gained.

Another advantage that international companies have in the field of computers is their access to other installations of the same company in strategically placed cities in the world. This enables them to handle their own detailed work locally, but for wider policy matters they are able to exchange information with their own central service. An example of this is B.P. Benzin and Petroleum A.G., Germany. They handle most of their detailed work locally but by advising the C.E.I.R. in London of their overall product balances, the European market as a whole can be assessed.

S.K.F. is another International company which operates computers in 17 of its world factories. The main output is technical information, although a certain amount of clerical work such as payroll inventory and production control is also done. A central computer is being planned for the head office in Sweden and this is intended to co-ordinate information for the whole organisation.

The importance of training senior management in the uses of their computers was an aspect which was emphasised throughout. For example, Unilever in Holland is about to start an ambitious training programme for all their senior managers, as in their opinion this training is essential to their future management and the efficient running of the company. They appreciate, however, that resistance will be met when the programme is introduced, but it is felt that this can be overcome.

Banks

Computers are used widely in all sizes of banks in all the countries that we visited. The reasons are similar: the volume of business going through banks has increased enormously, while at the same time the supply of suitable personnel has dwindled, due to high employment and the comparatively poor pay offered by banks. Thus computers arrived at the right time to help the banks out of an increasingly tight clerical position.

The use made of them by banks has been straightforward, merely an extension of the manual accounting system. But European banks compete more sharply than British, and when customer service demands the production of a statement after each transaction, it is no surprise to find banks of as few as 100 employees using a computer, as we did in Holland.

If E.D.P. is a clerical necessity for bank management, they have also found that it brings them useful side benefits. Most banks now produce daily liquidity statements for top management at close of business, and a Danish bank is developing a full-scale management information system on its new 'third-generation' computers. European bank management, with the spur

of competition, seems to be much more receptive to advanced computer-based systems than their British counterparts.

Others

One of the most interesting employer/union joint productions which we found in Sweden was their 'Position Classification System for Salaried Employees'. The coding used in this system has enabled detailed classificatory work to be done in the field of job duties and difficulties, with appropriate salary ranges. The results of this are available rapidly, and are used widely by both participants in establishing appropriate job salaries. The system is designed around the use of the computer in repetitive clerical work.

Public authorities are using data processing more and more, but neither of the major ports that we visited has any computer installation. Rotterdam is thinking of setting up a service bureau for the use of firms operating within the port, but this is as yet only a possibility, and they are worried about the security problem. On the whole, private industry is considerably more advanced in the use of computers, and in adjusting to their effect on forward thinking.

General Remarks

Personnel, Training and Manufacturers

The problem of finding and keeping good programmes and systems personnel do not appear to be so significant anywhere on the continent as in the United Kingdom. The attitude is that firms can and should train their own people if they cannot recruit them.

Appreciation courses for managers are widespread. In Sweden, most managers have graduated from their business-management universities and their professionalism is reflected in their attitude to further learning. The problem mentioned both in Sweden and Germany is that of finding the time to go on courses, rather than any lack of their availability.

Although not directly relevant to our main topic, it was very evident that I.B.M. have a very strong hold in the computer field on the continent. All the installations discussed were I.B.M. But it goes deeper than that it appears that I.B.M. provide a large proportion of the programmers and systems personnel, either directly or through one of their training courses. They also run courses for all levels of management, as in the United Kingdom, except that no other manufacturer was even mentioned in this context.

Belgium

Belgium has not featured at all in the above discussion. This is not necessarily significant -- of the few companies that we saw, only the banks are likely to have computers (but we were not able to confirm this); the others are too small. We saw an I.B.M. data centre in Brussels, but the impression we got was of a slight lack of interest in computers.

Overall Picture

We can sum by saying that our own subjective assessment of management's attitude to computers correlates very well with the relative number of computers in each country. At the bottom come the Belgians and the Dutch, at about our U.K. level. The Danes come next - considering the predominance of small companies, they have a large number of computers, and some imaginative ideas on how to use them. The Germans are very practical and are keen on new things; but they seem also to have made many mistakes. Finally, the Swedes have the most professional attitude and are fully prepared and willing to accept new technology in all its forms.

Automation and Human Relations

- by -

G.P. Claridge	The Diamond Trading Company Ltd.
D. Ford	Kodak Ltd.
H. van Engelshoven	Shell-B.P. Nigeria

I Summary of Impressions

1. Automation incurs a high risk element in deciding on the exact commodity to be automated.

2. Consequently a thorough market survey should be made and in this context the world should be considered the market.

3. The fact that the automated plant can make its own decisions reduces the manual labour required but increases the technical knowledge of the labour that is employed.

4. Therefore education is of paramount importance but can affect the human being in two opposing ways:

   a) To increase the standard of technological knowledge.
   b) To restrict the knowledge learned to that required only to earn a living.

5. Funds for investment in large capital expenditure must be made available.

6. The thought of creating a Western supremacy in technological knowledge as mentioned.

7. The necessity of good and enlightened Employer/Labour relations to accept and accommodate the changes in labour that will occur.

8. The reluctance of labour of the quality required to work at night.

9. The awareness that higher wages and a higher standard of living tended to produce an atmosphere of fear into the private lives of the individuals.

II Introduction

Technological development has influenced, to a considerable extent the relations between human beings. One only has to compare the community as it existed in a Middle-Ages town with its numerous crafts, and a community as it now exists in many an industrial town, to realise the change in human relations brought about by this development.

It is also clear that technological development continues at an even faster rate and consequently will further and further influence human relations in industry.

One aspect of this technological development is called 'Automation'.

What do we mean by automation and how is it influencing, or going to influence, the human relation in Industry?

'Automation is that stage of mechanisation where the equipment not only

performs the physical operations that were previously performed by manual workers, but also regulates itself according to instructions that have been built into it by Production Engineers, upon command data generated by the process itself with the object of maintaining correct process output.'

III General

It is suggested that automation will cause a re-organisation of the decision making personnel with a consequent adjustment to the management structure of any organisation that becomes automated or partly automated.

The machines take over the decision making abilities previously entrusted to human labour, and as this happens the need for personnel with a higher level of technical education is created. These new types of staff with their advanced technological knowledge are able to control a number of machines taking part in a process and capable of equalling the output of hundreds of men.

This development in turn necessitates a requirement for a more technical maintenance staff.

Within the automated industry new technical staff are required such as Operational Research Scientists, Systems Analysts, Programmers, and Technicians with a much more general knowledge than before. The increased output capacity and a greater speed of the process equipment requires more detailed and more long term planning than previously required.

Problems relating to the cost of equipment, the cost of inventory and stock, and the cost of sales will require an even more extensive use of qualified men in the fields of accountancy, research, management development etc.

It is therefore with the above in mind that we tried to assess the true position in the field of Automation during our visit to the various industrial centres of Europe.

IV The Non Human Aspects of Automation

A: Favourable Economic Growth Climate

The tour showed that in general the following economic conditions should be fulfilled in order to encourage the automation of the industrial process.

a) Free access to a reasonable priced capital market or free availability of retained earnings in order to cover the high investment necessary for the development and installation of automatic equipment.

b) Imaginative management able to apply the tools of automation towards the specific processes of their particular industry.

c) Cooperation of Labour Unions in the inevitable re-deployment of labour that will result from the application of automation.

d) Labour should be at a premium cost and in short supply.

e) A demand should exist for complicated products which cannot be produced by manual means in sufficient quantities.

B. Effects of Automation on Industry

Wherever automation has been applied it had the following effect on the industry concerned.

a) Increase in productivity due to the reduction in man/hours per unit.

b) Improved growth due to the inherent capability of automated plants to compete on favourable terms with world competition.

c) Reduction of number of small manufacturers and an increase in the frequency of mergers.

d) Decrease in the capital invested in inventory.

C. Disadvantages of Automation

Automation should not be regarded as a panacea for all evil and its disadvantages should be carefully weighed in any feasibility study.

As far as we could establish the main disadvantages of automation are:

a. Its excessive capital cost might with present day technological know-how tend to stop product changes due to the investment required for re-tooling.

b. In addition, considerable investment is required in the development of the necessary production methods.

c. The rationalisation of the productive method will tend to reduce the individuality of the product produced.

d. The high cost of error.

e. As a last point it could be mentioned that automation further and further removes man from the grass roots of human existence, i.e. agriculture. Highly industrialised nations with limited agricultural resources may therefore suffer from an excessive materialistic outlook mixed with a certain fear for the future.

The Human Aspects of Automation

The most striking influence of automation on human relations as encountered during the visit can be summarised as follows:

1) Frequent need for retraining in
   a) Multiple skills
   b) Higher technical skills

2) Frequent need for redeployment of labour in
   a) Location
   b) Job

3) Social implications of shift work.

4) Higher standards of living by the possibility of earning high value wages.

5) The need for schooling directed towards a productive world, rather than the general schooling presently offered.

V. The Situation in Industry

The trip brought the course from country to country. It seems therefore logical to group the experiences, which formed the bases for the previous chapters, together within the economic climate prevailing in the country concerned.

SWEDEN

a) Industrial Effect of Automation

The industrial climate in Sweden is ideally suited for automation as all the conditions necessary for the growth of automation, as mentioned under III A are applicable in this country. It has been endeavoured to highlight some of these points by listing the relevant part of the remarks made by representatives of various industries.

a) Volvo Car Manufacturers

Discussions with one of the Volvo Directors highlighted the following points:

i) In the European car industry several mergers have taken place

ii) Volvo expressed its satisfaction with economic results of automation as:

   a) Production time of sub assemblies manufactured in automated plants has been reduced by 80-90% compared with previous non-automated assembly procedures.

b) Inventory was now computer controlled and stock levels came down to zero for parts produced in Sweden and to 3-7 days turn over for parts produced in countries outside Sweden.

Further, automation has a certain influence on the market policy of Volvo. They aim, due to their extensive market research, at a car which is above average in size, quality, performance, and price. This market policy provides for models with a relatively long life which in turn contributes to the attractions of automation by decreasing the need for retooling.

Automation also helped Volvo to cater for the growth in its production and in its market. Their efficient automated part plants and its computerised control of outside deliveries enabled the economic construction of assembly plants in these areas where tariff barriers made the import of assembled cars an uneconomic proposition. The technological level of the assembly plants could be adapted to the technical know-how of the environment by gradual shifting of work load from the mother factory towards the assembly plant.

b) The Arendal Shipyard

This shipyard is an example of the application of automation to these parts of the work process suitable for this development.

Automation has been applied to a large extent in

1) Inventory control
2) Material movement
3) Certain manufacturing processes.

The result of creative management thinking has been a plant which can deliver ships three times faster than a conventional plant and with a tendency towards reduced cost. As an additional advantage ships could now be built independently of climatic conditions.

This in turn enabled the shipyard to compete successfully on the world market and attract additional shipbuilding orders to Sweden.

It should also be mentioned here that an important factor in this development is the fact that the yard has rationalised on the construction of big bulk carriers rather than the whole gamut of ship models required by world trade.

c) The Gothenburg Harbour

This harbour is handling some 30 million tons of cargo per year of which originally 5 to 10 million tons were general cargo.

Due to integration of sea transport, rail transport and road transport a unitised transport system was developed called Roll on Roll off. This type of transport enables a continuous flow of goods without any itemised cargo handling between producer and consumer.

A successful operating system could only be achieved by merging the various transport parts into one company. The result of this merging of effort was:

a) Increase in productivity of handling goods from 100,000 ton/year per berth/per stevedore for the old system to 500,000 ton/year per berth/per stevedore.

These figures apply to a berth occupancy of 80% and 25% respectively which leaves room for further improvement in the automated system of transportation.

b) Additional business was attracted to the harbour. In order to profit from this new and competitive system, feeder services from Finland, Sweden, Denmark and Russia began to transport unitised cargo to Gothenburg for transhipment to final destination with specialised ships.

c) Productivity per labour gang increased from 15 ton/hr/gang per crane to some 100 tons.

d) Heavy investment was necessary for specialised ships, quay facilities and road transport.

e) Moving time of goods between producer and customer were reduced dramatically.

f) As goods were transported on fixed and rigidly adhered to schedules inventory levels at the point of consumption could be reduced.

b) The Effect of Automation on Human Relations

The human attitude to the introduction of change in Sweden is best illustrated by a statement made by Mr. Axelson, Gothenburg Port Director, who summarized Swedish natural resources as

Timber
Iron ore
Water
Labour Relations,

with the latter being of highest importance.

The highly industrialised community has needed considerable redeployment and retraining of labour which has been accepted by Unions and Labour, as being in their long term interests of industrial survival, higher wages and higher standards of living. In part this attitude stems from the Swedish social structure which is somewhat classless, i.e. there is social mobility and interchange which leads to industrial mobility.

Examples of labour's acceptance of mobility were seen in

i) Gothenburg Port Authority, where the introduction of the Road/Rail/Shipping container system meant redundancy of 40-50 crane operators. They were found alternative employment elsewhere.

ii) Arendal Shipyard. Complete retraining of all operators in new skills associated with the revolutionary approach to shipbuilding.

iii) Volvo: Acceptance of M.T.M. (Methods-Time Measurement) for all operators throughout the factory and the elimination of one level of line supervision. Assimilation within the plant of 35% of foreign labour with all the language and ethnic problems associated with this situation.

All this is occurring in a situation of over employment and an acute shortage of labour, without strikes official or unofficial (1 legal strike of 4 days and 1 illegal strike of 1 day in the last 18 years).

Inducements are offered by employers and the State to assist labour mobility such as allowances for refurnishing, moving expenses which undoubtedly assists.

However, the impression one gains is of an extremely materialistic society in which the struggle for higher wages, higher standards of living dominates, and that cultural pursuits take second place. This observation is very subjective, but we believe that there may be a relationship between high levels of industrialization and automation, and attitudes to leisure and cultural pursuits.

DENMARK

a) Industrial Effect of Automation

Automation was not yet of prime importance for very specific reasons.

a) Industrial development in Denmark started only around 1950. As a result most business is still in the Entrepreneurial stage. This fact is also confirmed by the small average size of firms in Denmark i.e. between 50-100 employees. This small size of business is not the most suited for the development of automation in industry.

b) Capital is only available at very high interest rates i.e. 8 - 11%. This capital scarcity hampers Industrial Development and the growth of automation.

However, as capital scarcity is the only factor lacking in the Danish Industrial climate, it is our firm belief that integration of the Capital market into the world capital market will touch off the necessary mergers of small firms and the installation of automated production equipment wherever feasible.

b) Effect of Automation on Human Relations

As automation was rather unknown in Denmark, little could be learned on the effect of it on the human being. However, it should be stated that employers and employees alike intended to cooperate to resolve any problem arising out of automation. Due to their positive attitude no problems in human relations which could arise out of automation are presently foreseen or feared in Denmark.

GERMANY

a) Industrial Effect of Automation

In Germany as in Sweden, the industrial climate is extremely favourable towards automation. However, relatively little contact was provided with industry, and therefore only a limited amount of information on this subject became available.

a) British Petroleum, Germany

The oil industry, being a process industry by nature is extremely suitable for automation. Naturally automation also played an important role in B.P. Germany, and the following points were brought to light.

i) The necessary investment is high, i.e. £40M for one refinery which is operated by only 400 employees.

ii) High labour cost fuelled the drive towards automated petrol stations.

iii) Due to the cut throat competition B.P. Germany could only return a marginal profit, i.e. thanks to automation it remained competitive.

b) British American Tobacco

Automation catered for a vast increase in productivity, i.e. output 1948 equalled 950 cigarettes/min/machine productivity, while presently on trial were machines with an output of 2,500 cigarettes/min/machine. This development triggered a certain reduction in labour force.

Automation also influenced the market policy of B.A.T. Germany as a total of 50% of their sales is sold in vending machines. This necessitates the marketing of packages of 11 cigarettes which can be sold at a cost of 1 Deutsch Mark. This odd size package influences in turn the whole packing process of the various plants.

Outside B.A.T. but inside the tobacco industry the cigar making industry became automated due to two main reasons:

a) Labour shortage for hand making of cigars.

b) An artificial and standardised cover leaf is now produced which enables the automatic production of cigars.

All points extracted in Germany fit very well in the general pattern of automation developed previously in this report.

b) The Human Element in Automation

Automation is an established part of the German economy and has been accepted with all its implications by management, unions and employees. The basic problem raised in discussions, which was not peculiar to Germany, was that of obtaining the requisite number of skilled technologists that industrial development of this type required. Universities and technical colleges were concentrating in this field and again as with Sweden the other highly industrialised country visited, education was narrowing rather than broadening. Emphasis was laid on completely technical education, the use of teaching machines etc. to the exclusion of any cultural activities.

Again it is questioned whether this is the expected outcome of a highly developed society.

THE NETHERLANDS AND BELGIUM

a) The Industrial Effect of Automation

In both countries the climate is favourable towards automation but the industries visited were not the most suitable to study the industrial effect of automation.

One exception could be made, i.e. the Port of Rotterdam.

There again, all points raised in the Port of Gothenburg could be repeated but automation was in this harbour also carried towards bulk handling of oil, ore and wheat. The main reason given was:-

a) Labour is at a premium.

b) Cost of ships is ever increasing due to their increase in size. Automation provides the possibility of faster turn around in the harbour, and these short turn round times make Rotterdam attractive towards shipping. This will result in additional business which can best be illustrated by the spectacular growth of the Rotterdam harbour during the last 20 years.

b) The Human Element in Automation

1) Holland

Holland is in the early stages of automated industrial development and its impact is being felt by management, unions and employees.

It is recognised that advance in this direction is inevitable and that it will bring problems of redundancy and redeployment, in particular for foremen and supervisory staff. Despite this the Unions fully support the move, recognising that they have responsibilities for retraining their members to meet the new situation. They argue that if automation improves productivity, increases production, then it is in the long term interests of the Union to support the move, and it is easier to negotiate with a profitable industry than a non profitable one, and therefore they should not press issues which are likely to reduce industries prosperity.

2) Belgium

In Belgium one sensed that the attitude of union officials and employees whilst superficially accepting the implications of automation, had reservations. The whole hearted cooperation which existed in for example Sweden and Holland did not appear to exist in Belgium, largely associated with the language split within the country.

Without question this was a serious barrier to labour mobility, an essential element in automated industry, and it presented considerable social problems.

Trade Unions

A brief survey of their history, structure and negotiation procedures together with an evaluation of the effect of these on Industrial Relations

- by -

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Introduction

Industrial Relations in the United Kingdom have come in for considerable criticism more or less continuously since the war. Bad labour relations are often given as a cause of our continual economic troubles and the fact that devaluation came so soon after the recent dock strike will give supporters of this argument further ammunition. One of the chief targets of criticism in the United Kingdom are, of course, the trade unions.

The purpose of our studies on the continent was to look at the Trade Unions and to see if we could obtain any clue to the reason for the (allegedly) better relations there.

We looked briefly at their history and at their present structure. We studied the negotiation procedure and means of arbitration, if any.

We will attempt to assess whether of these have any bearing on the matter.

SWEDEN

The original Swedish Unions were predominantly organised by craft, persons doing similar kinds of work joining together to improve their conditions. However, the disadvantages of having several unions in the same industry soon became apparent when small unions refused to accept agreements negotiated between the larger unions and management, thus wrecking the agreement.

In 1898 the Swedish Trade Union Confederation (L.O) was established to form a connecting link between the various craft unions. The unions affiliated to the L.O. are still constitutionally independent, but as a result of the disadvantages referred to above, the L.O. Conference of 1912 adopted a plan to reduce the total number of unions and organise by industry rather than craft. The plan was that the largest craft union in any industry would become the only union in that industry and all union members would join that union whilst employed there. Details of the plan were revised a few times and its present shape was adopted in 1951. The development towards fewer Unions was speeded up in the early 1960's.

At present, out of a working population of 3.8 million, 2.8 million are wage earners, of which approximately 2.0 million are union members, 1.5 million of these being members of L.O. affiliates. 'Blue Collar' workers are, of course, in the majority, although there are substantial groups of 'White Collar' workers affiliated, particularly public employees in the lower income brackets. Other white collar employees are organised in three confederations, the largest of which is the Central Organisation of Salaried Employees (T.C.D.) and disputes do occasionally occur between the L.O. and T.C.D. However, these are usually settled by a joint L.O. - T.C.D. committee with a minimum of friction.

The L.O. is a political organisation, having been reared in the Social Democrat spirit. This political affiliation is carried to an unusual extreme in Sweden in that if the majority of members of a particular union vote to become members of the Social Democrat Party, then all union members automatically become members and there is no opting out of the political levy!

Negotiations are carried out between representatives of an individual union and the management of the industry concerned.

Contracts, covering such matters as wages, working hours, are usually for a period of three years and are enforcible in law. Strikes are therefore illegal during that time.

In the event of failure to reach agreement on a new contract, under an agreement reached between the L.O. and the Employers Federation (S.A.F.) in 1938, which became law in 1943, a fixed procedure must be followed. Unsuccessful negotiations are followed by the appointment of an arbitrator. If his findings are unacceptable to either side an arbitration committee is appointed. If agreement still cannot be reached a Government Committee is appointed. Only after this committee has failed to find a solution can a strike or a lock out be legal.

It may be asked how effective this can be and what can really be done in the event of an illegal strike. In the shipbuilding industry there has been only one legal and one illegal strike in the past 20 years. In the case of the illegal strike, the strikers were in fact fined, in spite of the obvious administrative difficulties in doing this. There was a quick return to work.

Sweden claims to have four natural resources: Iron Ore, Forests Hydro-Electric Power and Labour Relations. We have little doubt that the Swedes have solved most of the problems concerned with exploitation of the last of these.

DENMARK

The Trade Union Movement in Denmark developed out of sick benefit associations created by workers in the 1860's. In 1871 a Danish section of the International Working Mens Association (the first international) was formed. This had a political, as well as a union, aspect, the trade unions growing from the branches of the International which were organised on a craft basis. In 1898 the Danish Federation of Trade Unions (L.O) was formed consisting of 38 national and 26 local unions organised on a craft basis. The political aspect was separated from the union aspect when the Social Democratic Party was formed, but the L.O. and the S.D. Party are represented on each others executives. Individual Union members are not automatically members of the Social Democrat Party however.

In 1899 a local strike occurred involving the Joiner's Union. This resulted in a lock out, first of the joiners and then of other workers,

eventually putting some 40,000 persons out of work for about four months.

The outcome was an agreement which not only settled the dispute but also laid down the basic rules which governed the future relations in industry up to 1960 when a revised and modernised agreement was signed.

Unions are still organised by craft and have not followed the Swedish pattern where one union represents all workers in any one industry or factory. At present there are 65 unions affiliated to the L.O. comprising a total membership of nearly 850,000. A certain amount of rationalisation is continuing and the total number of unions is likely eventually to drop to about 35. The Danes are conscious of the disadvantages of too many unions in one industry, but there does not seem to be any likelihood of a change to the Swedish system in the near future.

Negotiations are normally carried out on a National basis by the individual unions. It is usual to work out a new collective agreement every two years. Whilst this agreement is in force, strikes or lock outs are illegal. There is, however, provision for three months notice of termination by either party. In this case, both sides must abide by the original agreement until the new one is settled. Most agreements on wages include an escalation clause tied to the cost of living.

If negotiations break down, there is provision for mediation by a conciliation board appointed by the Government. The board's proposals are then voted on by both sides, and if a majority on each side accept, these proposals are ratified in the new agrement. (It should be noted that in nearly all cases when this occurs, all members of the union concerned take part in the vote). In the event of failure to accept there is provision for the matter to be referred to Parliament, but such occurrences are rare.

The conciliation board has the power to forbid the stoppage of work for four weeks after breakdown of negotiations.

In the event of disagreement of interpretation of any agreement, the matter may be referred to an industrial arbitration committee consisting of two members of each party and an impartial umpire. The decision of this committee is binding.

In the event of violation of an agreement and failure to settle the matter locally, the affair is eventually referred to a Labour Court. This is composed of three members appointed by each side under the presidency of a supreme court judge. Its findings are final and binding in law.

WEST GERMANY

The Trade Union movement in Germany dates from the 1840's and had a chequered history up to 1933 when all existing unions were disbanded by the Nazis. The movement as it exists to-day came into being after the war.

The pre-1933 leaders who survived the war were determined to avoid splintering of the new movement into ideological factions. The majority agreed that as far as possible the organisation should be set up by industry. Organisations were set up in the occupied zones and in 1949 a congress was held in Munich at which the German Confederation of Trade Unions (D.G.B.) was founded, covering mainly 'blue collar' workers. A smaller organisation, the German Union of Salaried Employees (D.A.G.) covering 'white collar' workers and organised by Trade rather than industry also exists and both organisations co-exist in each industry.

Since the war, none of the Unions have been affiliated to any political parties.

Collective agreements, made between the unions and employers, are usually reviewed annually and one years notice of new demands has to be given.

Where direct negotiations fail the parties concerned normally resort to voluntary conciliation, usually under a mutually agreed procedure, which has, on the whole, operated satisfactorily.

There is no compulsory conciliations and agreements are not enforcible in law. On the rare occasions when voluntary conciliation fails action usually follows, but a 75% majority of members must be in faviour before this can happen.

HOLLAND

Organisations of Labour were established in Holland in the 1860's but were not unions in the present day sense of the word, being merely mutual aid societies; as strikes were illegal until 1872 there was little effective collective action.

Following an increasing Social Democratic movement, the Netherlands Federation of Trade Unions (N.V.V.) was founded in 1905 consisting of 11 affiliated organisations. In 1909 the Roman Catholic (N.K.V.) and Protestant (C.N.V.) Trade Union Centres were formed.

In 1942, the German set up a 'Netherlands Labour Front' having dismissed other union leaders in 1940. This had little support and throughout the war leaders of the three movements conferred to lay plans for post war development, contact was also maintained with the employers organisations.

In 1945 the denominational unions rejected proposals for unity but were disposed to better co-operation. A communist organisation was also formed but its numbers have slowly dwindled. In addition there are a few small organisations not affiliated to the main groups.

The three main groups formed a council to aid co-operation but this came to an end in 1954 when the church forbade Roman Catholics to join the N.V.V. However, prior negotiation does take place before negotiations with

employers takes place. Permanent co-operation between the three groups and the employers organisations still exists in the 'Foundation of Labour', set up in 1945. This aims at promoting among other things good industrial relations and is recognised by the Government as an advisory body on social affairs.

The political relations between the N.V.V. and the Social Democrat party which existed before the war were not maintained after 1945, although the relations between the two denominational organisations and their political counterparts is maintained.

There are some 80 individual unions affiliated to the three groups. Those in the N.V.V. and C.N.V. are organised by industry while the N.K.V. is organised partly on industrial and partly on craft lines. It seems likely that the N.K.V. would like to rationalise this position but to do so requires, apparently, the sanction of the church.

Immediately after the war a rigid control of wages and prices was in effect but this was abandoned by stages during the 1960's. Union sources consider that this has improved union/employer relations.

Negotiations for collective agreements are made between representatives of the three unions and the employers. If negotiations break down a government appointed conciliation board has the power to fix maximum wage increases or to extend the existing agreement. It also has the power to extend an agreement to cover an entire industry, even if only part of that industry is negotiating.

If a strike takes place while an agreement is in force, the employer can take the striker to civil court and heavy fines may be imposed. In general conflicts seldom become strikes and unions seem to accept the element of compulsion, considering that the advantages outweigh the disadvantages. We also gained the impression that the Roman Catholic acceptance of the need for authority has some bearing on this.

BELGIUM

Trade Unions began in Belgium in 1957 with the formation of a union known as 'The Brotherly Weavers'. This came in under Socialist control in 1869 causing many workers to leave. In 1886 a new organisation was formed called 'The Anti-Socialist Cotton Workers Trade Union'. These two unions were the beginnings of the Socialist and Catholic movements respectively. Up to the last war the Socialist movement was dominant.

Since the war the various unions have been formed into three confederations, Socialist, Catholic and Liberal, the last being considerably smaller than either of the others. ('Liberal in Belgium politics should be equated with 'Conservative' in U.K. terms).

Nominally the confederations are not directly linked to their party

political namesakes, but in fact they do wield considerable political influence, more so than in the other countries we visisted. In fact it was openly stated that no Government could continue without the support of at least one of the two major confederations.

The confederations are divided vertically into trades and horizontally into regional federations, the latter being smaller replicas of the main confederations which co-ordinate activities and services for all members regardless of trade.

Although the confederations are divided vertically by trades, negotiations are carried out on an industry basis, the dominant union in the industry negotiating on behalf of all the unions in that industry. Having worked out a common point of view they meet the employers in joint committees.

If agreement cannot be reached, either side can ask the Government to appoint a conciliator. There is no provision for arbitration and if conciliation fails direct action can follow. However, unofficial contacts between employers and labour are (we were told) good and major strikes are rare.

CONCLUSION

The impression in the countries we visited is that the United Kingdom is a country bedevilled by crippling unofficial strikes where neither unions or management have any real control over labour.

The impression given to us in our visit is that everything goes smoothly on the Continent. Undoubtedly the truth lies some way from these extremes. Statistics show that manhours lost in the United Kingdom are not as high as generally believed and that the continental situation is not as rosy as may be thought. Certainly, in our tour, the best side was put forward and some of the less good points not mentioned (something the British are not so good at).

However, it must be frankly admitted that the continent does not suffer from the sort of strikes that are so damaging to our economy as, for instance, the recent dock strikes. Rotterdam is particularly strike free and Sweden's labour relations must be envy of any Minister of Labour.

We would suggest that the following are some of the factors conducive to improvement:

1. A small number of unions organised by industry rather than trade.
2. No nonsense about demarcation. If an electrician has to put a wire through a wooden partition he drills a hole, he doesn't send for a carpenter.
3. Collective agreements are enforcible in law, and the law must, if necessary, be seen to be effective.

4. The acceptance by unions and labour of the profit motive. Indeed it is encouraged as the better the profit the more chance of wage demands being met.

5. The growing acceptance of 'professionalism' amongst union officials rather than progression through the ranks of particulzrly vocal persons.

These factors are relevant to the position in the U.K. In addition there are certain factors on the continent which are relevant to the situation there, but make comparison with the U.K. difficult.

6. Later industrial development, particularly in Sweden, without the bitter memories of certain aspects of our own industrial development.

7. Rebuilding a shattered economy after the war - particularly in Germany. Under these circumstances legislation is more easily acceptable.

8. Because of the war there was a very low standard of living in most of the countries visited. With economic aid from America this was bound to rise making the climate less favourable for industrial unrest. The standard of living rose much faster than in the U.K. and in some cases has overtaken it.

9. The religious factor in trade unions. The Roman Catholics probably more readily accept authority, whether union or management.

Finally, and we think possibly the most important (and related to (4) above), although both sides of industry accept that there are two sides, they also accept that in reality their aims are more common than divergent.

Wages Structures: European Trends in the Future

- by -

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J.T. Cameron — Thomas de la Rue and Company Ltd.

Introduction

Many of the present wage structures are full of anomalies and out of date practices which are completely incompatible with thi s age of rapid technological and social change. It was therefore our intention to examine in the European countries visited the methods and devices which they were using to assist in the creation of an efficient and progressive labour relations scheme which must serve as an essential part of a dynamic national economy. Five countries were visited, namely Sweden, Denmark, Western Germany, the Netherlands and Belgium and so our observations are principally based upon the opinions which were expressed by our contacts in these countries.

Techniques and Methods Discussed

A. Incentive schemes. The use of financial incentivies as a means of motivating the worker are extensively employed in these countries, though the advantages and the disadvantages of such work measured schemes appeared to be fully appreciated. The problems of restriction of output, the inter-personal conflict between workers and rate-fixer and the continual battle at the negotiating table have led to a search for alternative means of evaluating the worker's wage.

B. Methods Time Measurement. The use of this technique is now widespread in Sweden and Denmark and gaining acceptance in Germany and Holland. It is generally accepted by the unions in these countries as being a fair means of reaching a reasonable and equitable basis for the payment of employees. The success of this technique as an aid to productivity is well demonstrated by its extensive use at the Arendal Shipyard at Gothenburg. At the S.K.F. factory, the management have taken the technique a stage further by introducing U.M.S. (Universal Maintenance Standards) which now covers 85% of their electrical breakdowns.

C. Measured Day Work. This technique does not appear to have been used and developed to any real extent in the European countries visited. In the United Kingdom several companies have introduced this system with varying degrees of success. One of the prime considerations appears to be that a well run incentive bonus scheme must have been in operation prior to its introduction so as to serve as a pace-maker.

D. Guaranteed Annual Wage. This concept as it stands is of no practical value for no employer can give a guarantee of absolute employment security. What is more interesting is a modification of this idea which would give the worker a fixed weekly wage. Many of the 'fiddles' perpetuated by workers employed under bonus conditions are inspired by a desire to achieve the stabilization of their earnings. A secondary advantage might be a resulting fall in labour turnover.

E. Profit Participation. The idea of the employees participating in the success of the enterprise by way of issues of shares, bonuses or other schemes which are related to the profit has found few sponsors in the countries which we visited. In fact, it is certainly more widespread in the United Kingdom than elsewhere. Generally speaking, the attitude of employees and trade unions was that once it had been started it would be difficult to regulate especially in a period of declining profits. Therefore the possibility of making full use of this idea as a barometer of the enterprises success and in so doing encouraging the employee to identify his interests with those of the company had only a very limited application.

F. Productivity Agreements. The basis of most wage negotiating in the countries visited appeared to be that of productivity. There was a general acceptance that higher wages in the long run could only be the result of greater productivity and therefore the unions accepted the necessity for change and the investment of additional capital in new equipment. This is particularly true in Sweden and Denmark. The Volvo car factory has invested heavily in automated equipment and as a measure of comparison can quote that five years ago it took 8 hours to build a gearbox whereas, today it takes 37 minutes. It is also claimed that the Swedish car worker is paid 65% more than his British opposite number. At the Arundal shipyard productivity bargains have been negotiated and the restrictive practices and demarcation disputes which proliferate in the United Kingdom have been avoided.

G. Job Evaluation. To provide an equitable basis for comparison of one job with another, the technique of job evaluation has been pursued to quite extraordinary lengths in some places. For instance, in Sweden a scheme has been developed by the employers whereby a 'computerised position classification system' compares and stratifies all salaried employees jobs and salaries. There is a growing acceptance that by a process of evaluation a just wages structure can possibly be compiled.

The Attitude to Industrial Relations

We were particularly impressed by the attitude in Sweden, Denmark, the Netherlands and to a lesser extent in Western Germany and Belgium that the future success of the business enterprise was not the sole prerogative of the management but also belonged to some extent to the employees.

This fact was borne out by the highly developed systems of Works Councils, Enterprise Councils, Workers Representatives on the Board of Directors and so on which in many instances have full legal backing. The employees are kept in the picture regarding the success or failure of the enterprise in which they work, and the management appears to have come to terms with this situation and no longer regards such institutions as a nuisance but as a means of conveying information to their employees and as a feed-back of suggestions and innovations which may originate on the shop-floor. Furthermore, it can also act as an early warning system of industrial discontent.

In this way when the time does come for the wages contracts to be

renegotiated the participating parties are not merely attempting to gain a short term advantage over the other party for they have had access to a great deal of information which they must evaluate and consider.

The Swedes claim that peaceful labour relations are one of their four natural resources but it would only be fair to point out that an element of doubt is creeping in as to how long this can be kept up. It may well be that Sweden has purchased her admirable industrial peace and strike free record at the price of high wage settlements. The annual wage and salary increases in recent years has been in the order of 10% and the rather strong increase in unit labour costs to which the Organisation for Economic Co-operation Development drew attention in its most recent survey of Sweden, suggests weaknesses in the process of income formation.

During 1968, a fresh round of wage bargaining on the basis of three year contracts is due to take place and so there is pressure on the employees to effect labour reductions and further mechanisation once more. Whether this will be achieved through increased productivity or reduced profit-margins will be apparent in due course.

Everyone agrees that reforms in the wages structure are needed but the shape they are to take is the critical aspect and it will be because of the reasons mentioned that the outcome in Sweden next year will be so closely watched.

The Future

To achieve industrial harmony in the United Kingdom certain lessons can undoubtedly be learnt from our European neighbours especially the Scandanavian countries. Firstly, we must learn to be more open in the information which we are prepared to divulge to employees; by so doing invite their co-operation and in the long term involve them in some responsibility for the success of the enterprise. This means the establishment of worker councils with a real purpose and this may perhaps have to be legally enforced.

Secondly, by the construction of a fair and equitable wages structure we may hope to achieve one of the fundamental pillars upon which a peaceful and rational industrial relations system may be established. Such a structure must be the result of evaluating one job with another both inside the factory and in relation to other jobs in the industry in general. Furthermore, the differentials in wages and wage increases which are achieved over a period of time must in some measure be related to productivity.

Undoubtedly, the great difference on the Continent appears to be that both management and unions are prepared to work together to achieve 'evolution' not 'revolution'.

Employee Participation in Profit Sharing and Management Decisions in Five European Countries

- by -

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A. Introduction

Our object was to establish to what extent there exist in the European countries visited, schemes whereby employees share in the profits of the companies and what the general policy is in regard to the participation by employees in decision-making within companies.

These subjects are somewhat unrelated and we deal with them under separate headings.

B. Profit Sharing Schemes for Employees

Generally there appeared to be little support for profit-sharing schemes amongst employers or employee organisations. The main reasons given were that it is difficult in very many cases to assess the individual part played by numerous employees in the earning of profits; secondly, that for schemes of such a nature to be complete, provision should be made for any losses incurred to be shared by the employees. This latter provision naturally would be unacceptable to the employee organisations but it was rather surprising to find that the positive aspects of any scheme i.e. sharing of profits did not seem to hold much attraction for the representatives of the employee organisations with whom discussions were held. This lack of interest may possibly be attributed to the fact that the wages and standards of living of European workers are generally high.

Swedish workers receive wages 65% higher than corresponding workers in the United Kingdom and 40% higher than West German workers.

In Denmark a profit-sharing board was set up by Act of Parliament in 1957 to promote co-operation and community of economic interest between management and labour. The intention was that a proportion of a company's profit should be paid into a social fund which was to be used to improve and secure the conditions of the employees.

Little progress had been made in regard to the distribution of part of the profits in cash form. The Trade Union Council was not enthusiastic as it was felt that the introduction of such schemes might influence policies in other fields of negotiations. There appeared to be little interest on the part of employers although a few large firms have schemes in operation.

In Western Germany it was stated that industrial peace had been maintained to some extent by employers giving way to wage demands although some of these had been excessive. It was concluded that as a result there existed little incentive for employee organisations to press for the introduction of profit sharing schemes. Accordingly the existence of any scheme was stated to be very rare.

During discussions held with employers in Holland the opinion was formed that because of the difficulties in evolving a scheme which would do justice to all employees few share options or profit sharing schemes for employees were

in existence, although we were told that the Trade Unions were constantly pressing for such schemes.

Trade Union officials stated that many forms of profit-sharing existed in enterprises in Holland but we did not have the opportunity of following up this apparent contradiction of the general position as outlined by employers in earlier discussions.

A world-wide Dutch manufacturer, wholesaler and distributor is at present paying his employees a large bonus in addition to salary. This was initially based on the company's profit but has now become recognised as an essential part of income, with only a small profit-sharing content. Formal consolidation of this bonus with salary is contemplated.

In Belgium no evidence was found of profit-sharing schemes.

C. Employee Participation in Decision-making within Companies.

Although in general some form of representation is given to employees on Advisory Councils or Supervisory Boards and to a much lesser extent on Boards of Directors, it was suggested that the importance of such representation should not be exaggerated.

In contrast to the lack of real interest displayed by both employers and employees in profit sharing schemes as outlined in part B above, employee organisations were anxious to obtain more equitable representation in decision making in companies. Even where legislation existed making it compulsory for 'discussion before decision', it was felt that unequal or token representation on councils or Boards did not lend itself to effective democracy.

In Sweden we found that the traditional Swedish approach is for the Board of Directors of a company to consist of specialists in various fields (e.g. engineering and finance) with no employee being appointed to the Board. Advisory Councils on which salaried and other employees are represented meet four times a year and 'discussion before decision' is compulsory by law. Both employers and Trade Unions arrange courses in business management and other topics which assist the members of the Advisory Council to participate more fully in the council's decisions.

In Sweden we did not have the opportunity to meet any Trade Union or employee representatives.

In Denmark the law provides for a joint consultative committee of employers and employees where more than 50 persons are employed. The Trade Unions provide business education for the employees representatives on these committees.

The Danish Trade Unions favour the establishment of a more powerful tripartite committee in each factory, representative of capital, the workers and the management. All major problems should be discussed by this proposed committee which it is hoped would reach unanimity before submitting its

decision to the Board of Directors for 'rubber-stamping'. This proposed system was described as 'democracy at the place of work'.

As might be expected, the employer association representatives we met were not prepared to meet these revolutionary demands. Employers and Unions were discussing the proposals.

The Western German system for firms having more than 300 employees is for employees to be represented on the Board of Directors in the ratio of one employee representative to two Directors. The employee representative does not have a vote in the board's decisions.

In addition a works committee is established with a full-time chairman. This meets four times a year on which occasions the management informs the workers of the latest developments within the company, and any worker may ask questions. Officials of a German Trade Union organisation felt that the appointment of an 'arbeits' (workers) Director creates difficulties as the appointed worker owes allegiance to both parties. The aim of this particular trade union, DAG, is that half of the number of Directors should be voted to the Board by employees.

In Holland from the Trade Union point of view, the legal aspect of working councils has not developed as had been hoped. It is felt that unless representation is equal from the side of the worker and the employer there will be no effective representation - no real democratic situation.

In Belgium the one trade union we met was strongly against the idea of a worker-director, claiming that he would be a prisoner of his position. They do have workers councils which meet monthly and comprise elected members of employees and management. These are consultative and advisory bodies, not decision makers.

D. Conclusion

Although the information obtained regarding the subjects chosen by us followed a very similar pattern in the five countries visited, it did serve to illustrate perhaps one particular aspect of employee motivation, namely, that when financial rewards have reached what may be considered to be an adequate level, employees are more concerned with being recognised as part of the decision making machinery of a business than in being given a bigger slice of the cake.