BOOK REVIEWS

Industrial Relations: Two Points of View
Harold Crouch

Industrial Relations: What Is Wrong with the System? An Essay on Its Theory and Future by Allan Flanders; Faber and Faber, 1965; pp 63, 12s 6d.

Industrial Relations: A Point of View by G Ramanujam; Indian National Trade Union Congress, 1965; pp 127, Rs 5.

In the past the study of industrial relations has been treated as an offshoot of economics, law and other disciplines. It has not been treated as a separate discipline in itself. Instead of a general theory of industrial relations we have had empirical studies of particular aspects of industrial relations in particular circumstances. Allan Flanders, who is a senior lecturer in industrial relations at Oxford, has felt the need to approach his discipline from a more theoretical point of view, and after creating a theoretical framework, he examines the industrial relations system operating in Britain, identifies certain changes that have taken place in recent times, and makes some predictions and recommendations for the future.

Without going into descriptive detail, Flanders points to three essential principles which have constituted the spirit of the British system of industrial relations. It is not so much the institutions of the system as such, as the spirit in which the system actually operates, that distinguishes one system from another.

The first principle is that of a preference for collective bargaining for the settlement of disputes. As Flanders points out, collective bargaining "did not rise like a phoenix out of the ashes of individual bargaining" (p 22) but developed to suit historical circumstances. In Britain it was found that governmental control of industrial relations in the earlier stages of industrialisation "was far too inflexible to suit a dynamic industrial society" (p 22).

A second major principle distinguishing the British system is its preference for voluntary procedural rules for collective bargaining. Unlike collective bargaining as practised in the United States, the system in Britain "his provided little work for lawyers" (p 23). Agreements are kept because it is in the interest of the parties to keep the agreement not because of any legal force behind such agreements, and if an agreement is broken, the parties themselves must settle the question again. The system depends very heavily on the continued recognition of a mutual interest in settling disputes without the intervention of the state.

The British system is further distinguished by an emphasis on procedure as opposed to substance. The parties seem less concerned with obtaining "justice" than with reaching a workable compromise through the accepted machinery. In the U.S.A., the emphasis is on the substance of the agreement, wages, hours, and so on, whereas in Britain it seems that it is enough that an agreement he reached.

It is Flanders' central thesis "that the principles of any national system of industrial relations... are derived from the values by which the nation judges and legitimizes the system's working and results" (p 30). The values which have determined the British system are a belief in economic freedom and a desire for industrial peace.

However, since the second world war changes have been taking place in the system, partly because other values are being added to the traditional two. The system is consequently in a state of flux, being affected by an increasing recognition of the role of government in promoting economic development, and by the tendency for the shop stewards in the factory to take on certain negotiating functions that had previously been in the hands of the national union leaders.

The "challenge from above", that of increased governmental intervention in the economy and, as a result, in industrial relations, must inevitably alter the traditional system of collective bargaining. Flanders believes that it is essentially because of Britain's recurrent balance-of-payments crises rather than any theoretical case for an incomes policy, that the post-war governments at first tried to introduce some measure of "wage restraint" or "planned growth of wages" as the Labour Party now prefers to call it. The adoption of a national incomes policy, which has been supported by both the previous Conservative and the present Labour government, must necessarily restrict the scope of traditional collective bargaining.

The power of the national unions in collective bargaining and the success of the government's incomes policy are both undermined by the "challenge from below". With full employment the workers in a particular work-place have gained sufficient bargaining strength to negotiate with their own management. One consequence of this is an increase in "unofficial strikes", conducted without the sanction of the top leadership of the union; another consequence is the "earnings drift" which can seriously affect any planned wage policy. Full employment and even labour shortages have enabled shop stewards in particular factories to negotiate for wage payments above those agreed on after industry-wide collective bargaining. In 1959 it was estimated that average earnings were 26 per cent higher than the rates agreed on by collective bargaining at the industry level. In addition an increase in overtime widened the gap further between actual earnings and negotiated rates of payment.

How can the traditional system of collective bargaining at the national-industry level adjust itself to the recognised need for economic planning including the planning of wage levels? Flanders has identified the problem but has been unable to provide anything but generalities for a solution (for which he can hardly be blamed, as the problem is just about insoluble). Each side must accept the need for economic growth and an incomes policy. Planning of wage movements must necessarily be "indicative" if the goodwill of both sides is to be kept, but, as Flanders accepts, "Probably some breaches will not be avoided" (p 33). Flanders seems to be reduced to a plea that management and unions should each adopt a more long-run approach and more responsible methods, and that the government should encourage them in this. The success of the incomes policy will apparently depend more on the personal qualities of industrial leaders than on any basic institutional changes.
The problems of industrial relations in a country like India have only a superficial resemblance to the situation in countries like Britain. If the underlying values of the British system have been economic freedom and industrial peace, the central requirements in India have been rapid economic growth and the maintenance of political stability. These requirements have resulted in a system of industrial relations based on government control. The government actively works to secure industrial peace, partly because strikes hinder economic development and very largely because the development of a strong, militant trade union movement represents a potential threat to political stability.

In addition to setting up machinery to regulate industrial relations the Congress government has also encouraged the growth of the Indian National Trade Union Congress, the present general secretary of which is G Ramu. Ramanujam, book of essays is not meant to be a scientific analysis of the Indian system of industrial relations. Its interest lies less in any intrinsic merit than in the fact that it authoritatively sets out the INTUC position on a wide variety of topics. Like most Indian trade unionists, Ramanujam goes through the ritual of denouncing party-politics in trade unionism, but perhaps we can take him a little more seriously than most others, as he is not, in fact, a member of the Congress party. (This may, of course, be more a result of the apparently friendly relations between the Congress Government and the Hind Mazdoor Sabha in Ramanujam’s home state of Madras, rather than any differences in principle between Ramanujam and the Congress). While denouncing party-politics, Ramanujam does point out that trade unions must inevitably concern themselves with politics in the wider sense.

Asia's Dismal Export Prospects

G C da Costa

Trade Prospects for Developing Countries

In this book Bela Balassa examines, in considerable detail, the trade problems of developing countries. These problems are examined both in retrospect — 1928 to 1960 — and as well as in perspective — 1960 to 1975. The study has been divided into two parts. In the first part, the trade patterns of less developed areas are examined and the following aspects receive attention: (1) exports and economic growth in the developing countries; (2) economic growth in the developed countries; (3) future of exports from the developing countries; (4) import requirements of the developing countries and the consequent trade gap; (5) current account gap and alternative policies that can fill the gap. In the second part, the prospects for individual commodities have received somewhat detailed consideration.

Balassa finds that during the years 1928-1955, the exports of the developing countries grew at a rate considerably below that of the GNP of the developed countries — an 88 per cent increase in the GNP of the developed countries was accompanied by a 38 per cent increase in the volume of their imports. This, of course, does not suggest any uniformity during the period. For example, whereas between 1928 and 1918 export growth into the developed countries was only slightly lower than the latter’s GNP the gap widened considerably from 1938 to 1955. In this latter phase a 68 per cent increase in GNP was accompanied by a 27 per cent increase in the exports of the less developed countries. The explanation is to be found in the trend; (II) a high or optimistic estimate which could become a reality only if suitable economic policies were followed. Under the first assumption the projected increase in GNP is 80 per cent and under the second it is 96 per cent.

A detailed presentation of the conclusions here is, of course, impossible and uncalled for. But a few highlights are revealing of the trends that might be expected. We shall concern our selves only with the most likely assumption. First of all, in overall terms, he finds that the exports of the developing countries at 1960 prices would rise from $19.5 billion in 1960 to $29.1 billion in 1970 and $36.0 billion in 1975. This would yield an income elasticity of import demand, for the developed countries, exceeding unity. This he compares with the period 1953-54 to 1960-61 when the imports of the developed countries rose by 48 per cent as against the 31 per cent rise in their GNP. The export prospects to Japan appear relatively the best. This is due to the special features of the Japanese economy; viz, earlier stage of development as compared with Western Europe and Japan. Several variants of the income variable have been used. These are per capita disposable income, gross national product (total and per capita), industrial production and in the case of certain raw materials specific indicators regarding the individual industries. Two alternative estimates have been used: (1) a ‘most likely’ estimate based on past