

**EXPERIENCE WITH WORKS
COUNCILS IN
THE UNITED STATES,
NO. 50, MAY, 1922**

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NATIONAL INDUSTRIAL CONFERENCE BOARD

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Foreword

THE present report supplements the two previous publications of the Board dealing with Works Councils, by an analysis of experience with such organizations up to date, as revealed in statements of employers, foremen and employees. In view of the growth in the number of Works Councils during the past two years and of the increasing attention they are receiving from industrial management, it is felt that this report will be of timely and general interest to industrialists and to the public. A larger number of organizations is covered in this report than in any study so far made in this country.

It must be remembered that this investigation concerned itself only with the study of Works Councils and their effects. No attempt was made to deal with the question as to whether other methods might not achieve the same results. The conclusions embraced in the report are not to be interpreted as the opinion of the National Industrial Conference Board as to whether or not Works Councils should be established in industrial concerns. This is a question which only the individual employer, in conjunction with his own employees, can properly determine. It is indeed conceivable that where management takes a personal, intelligent and broad-gauged interest in the questions that arise in the relations between employer and employed in an establishment, no mechanism or plan of any kind may prove to be necessary; but so far as adequate contacts have not been established in other ways between employer and employees, Works Councils, as this report indicates, have demonstrated their value in improving industrial relations.

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Experience with Works Councils in the United States

INTRODUCTION

In August, 1919, the number of Works Councils in industrial concerns in the United States was 225, according to a survey made at that time by the National Industrial Conference Board for its first report on the Works Council movement, which gave an account of substantially all that were then functioning. Since then, a number of employers have abandoned their employee representation plans, but a much larger number of employers have instituted Councils in their plants, so that in February, 1922, there were approximately 725 such organizations in operation in this country.

The great majority of the Works Councils covered in the Board's first report on the subject¹ had at the time of its publication been functioning on an average for not more than one year. This was a year of business prosperity; production was in demand, labor was scarce and wages were high. Following this came a period of business adversity; the demand for goods fell off, working forces were reduced, and wages declined. Widespread interest was manifest as to how Works Councils would stand the strain of such a period of depression. Were employee representation plans practicable only in times characterized by high wages and high prices? Would employees lose interest in the Councils when wage reductions became necessary? These and similar questions were raised as to the status and value of Works Councils during a period of decreased production and falling wages.

In order to answer these questions adequately, and ascertain the practical experience of employers with their Works Councils during such a period, the National Industrial Conference Board conducted a country-wide investigation. The great majority of the Works Councils treated in the present report have been in operation for periods varying from two to five years. An account of industry's experiences with these Works Councils during that period is presented herewith.

TERMINOLOGY

The term Works Council as used in this report is taken to mean

"a form of industrial organization under which the employees of an individual establishment, through representatives chosen by and

¹"Works Councils in the United States." Research Report No. 21, Boston, October, 1919.

from among themselves, share collectively in the adjustment of employment conditions in that establishment."¹

Various forms of Works Councils or employee representation plans exist, but they may be conveniently classified into two types:

- (1) The "Industrial Democracy" type.²
- (2) The "Committee" type.

The "Industrial Democracy" Type

This type of Works Council follows the pattern of the United States Government and provides for a Cabinet, Senate, and House of Representatives. In some cases the latter two bodies alone are provided; in others the Senate and House are merged into one joint body of foremen and employees; in others only mass meetings of the employees are provided. Where the plan is in operation in its entirety, the Cabinet is composed of the higher officers of the plant, the Senate is made up of the foremen, and the House of Representatives consists of elected employee representatives. A number of plans of the "Industrial Democracy" type have as an auxiliary feature a "Collective Economy Dividend," which is defined as:

"...a form of bonus paid periodically to the employees of any department which exceeds in production the standard prevailing at the time the plan was introduced. Fifty per cent of any such increase is distributed among the employees, the employer retaining the other 50%."³

This "Collective Economy Dividend" while originated in connection with the "Industrial Democracy" plan, is not necessarily a part thereof, and can function without it or with other plans of employee representation.

The "Committee" Type

"This type follows the ordinary committee form of organization, sometimes being a single committee and sometimes comprising a hierarchy of committees. The committee or committees may consist of employees alone, who confer with representatives of the management, or they may be joint committees embracing in their membership representatives of both employees and employer."⁴

"Limited" Works Council

Works Councils which do not include among their activities bargaining over working conditions, hours of labor and wages, are designated in this report as "Limited" Councils.

"Company Unions"

Another kind of Works Council is that which is based upon a "Company Union," that is, a Council subsidiary to an associa-

¹National Industrial Conference Board. "Works Councils in the United States." Research Report No. 21, October, 1919, p. 1.

²The term "Industrial Democracy" has been substituted for the term "governmental" as used in Research Reports Nos. 21 and 26, to avoid confusing this type of Works Council with any governmental agency.

³"Works Councils in the United States," *op. cit.*, p. 19.

⁴*Ibid.*, p. 20.