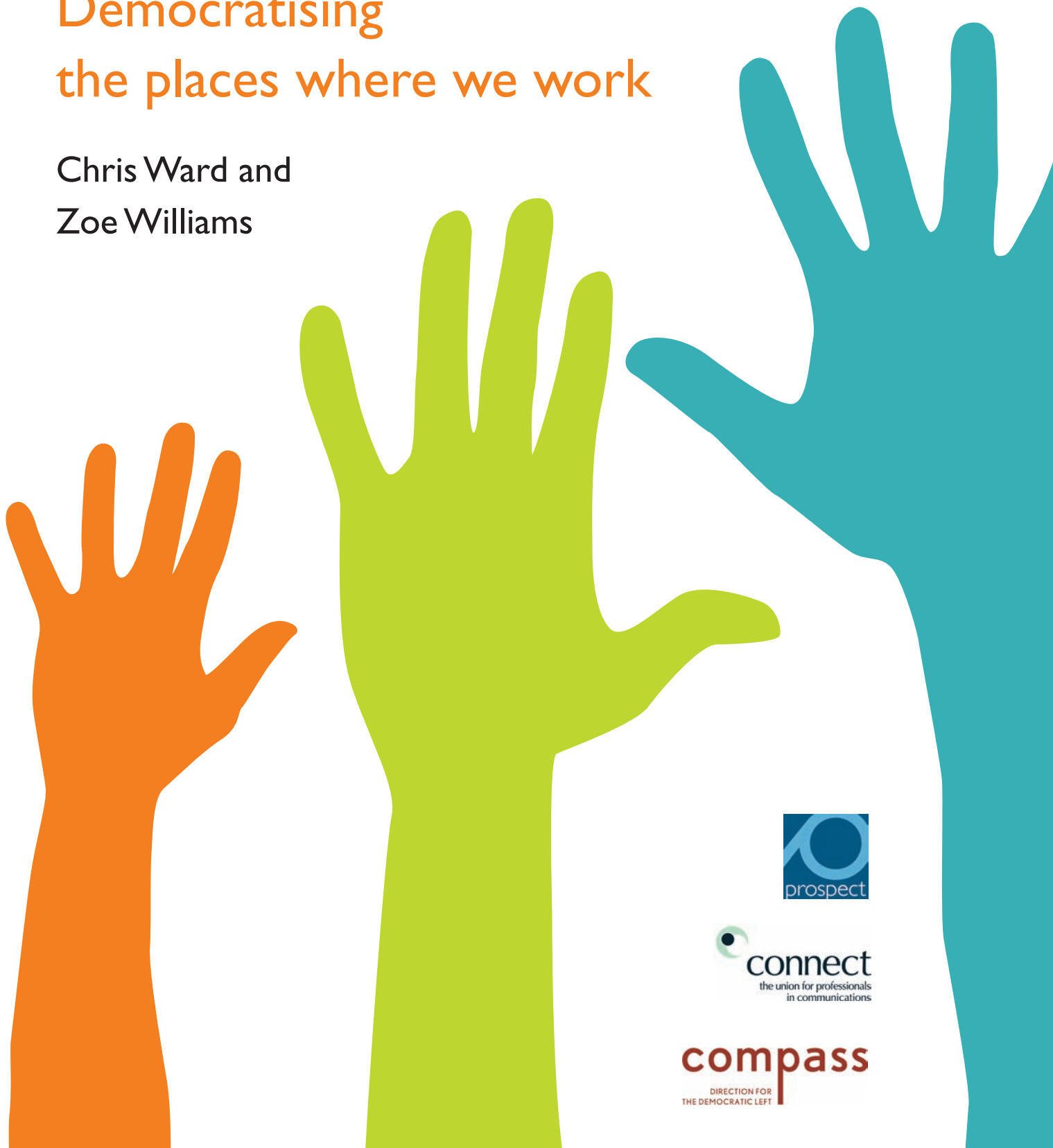


# Swimming with the tide

Democratising  
the places where we work

Chris Ward and  
Zoe Williams



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the places where  
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edited by

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and Zoe Williams

'We seek democratic development in which citizens participate in making the decisions that affect their lives'

*Gordon Brown*<sup>1</sup>

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Southbank House, Black Prince Road, London SE1 7SJ  
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## About the authors

**Chris Ward** has recently completed an MPhil in Political Theory at New College, Oxford, and has worked on a number of Compass research projects.

**Zoe Williams** is former Campaigns Officer at Compass.

# Executive summary

There is a growing divide between our role as self-assertive consumers, the emphasis being placed by government on the need for us to become active citizens, and our lack of voice or power at work. It seems we can be the masters of our destiny in all aspects of our lives except in terms of our relationship with our employers.

This is unacceptable. Work is not just the place where we earn a living but should be a key site in our lives where we are socialised, develop notions of worth and esteem, and learn to be creative and innovative. We cannot be expected to switch these needs and traits on or off as we clock in and out of work. We will never have a truly active citizenship while the workplace remains a site in which people must in effect be silent.

The case for democracy in the workplace is not just about productivity and efficiency. It is also about the right thing to do, and now is the right time to do it. Every workplace would benefit from employees who are more actively engaged in the creation of the products and services they make and deliver. Companies and organisations would be more agile and creative, and would perform better if workers had a voice and therefore greater engagement and loyalty to the firm. Such participation should be offered actively and freely rather than forced.

Our rights as citizens underpin the demand for a voice that must be listened to in the workplace, a voice that is formalised, heeded and responded to. In short, workplace democracy is part of the set of rights that define a modern society and a modern economy.

The legal and statutory basis for effective workplace democracy exists in the shape of existing EU directives and UK law – the Information and Consultations of Employees (ICE) Regulations. These provide the framework for the necessary information and response structures for employees to make their views known and for employers to respond.

But there are problems with the regulations, which are limiting their impact:

- The flexible nature of the regulations provides the space for less enthusiastic employers to push for only weak consultation standards, when they tend to hold all the cards of information and resources.
- Often the emphasis is on providing information not on consultation, as decisions are made before employees are involved.
- The employees themselves often don't have the resources or the skills to make best use of the regulations.
- The sanctions against non-complying forms are weak.

British citizens are not only finding a mismatch between having a voice as consumers and democratic citizens compared with the vow of silence that operates in many workplaces. They are also being left behind by their fellow workers on the continent. In the Scandinavian countries, and Germany in particular, there is a culture of engagement which produces a rich mix of involved workers and high performing companies that are competitive in a global economy.

The workplace democracy agenda should be at the heart of trade union renewal. Unions are moving beyond negotiations around terms and conditions, vital as they are, to a 'good work' agenda, which values the quality of work not just the quantity. The assertion of a democratic voice must be at the heart of the good work agenda.

Unions can play a vital and pivotal role in putting in place structures for effective workplace democracy. They have the right democratic culture and the knowledge and experience of works councils and other bodies both in the UK and across Europe.

Developing the structures and processes for effective workplace democracy is neither quick nor easy – but is the right thing to do in practice and in principle. The case studies highlighted in this report on BT, EDF and

Macmillan demonstrate how different every workplace is and how tough the process can be, but also the essential role that effective legislation plays in underpinning workers' rights to be heard and responded to. The case studies also show a willingness among managers to engage in the process constructively because ultimately it benefits their organisation.

Government must signal the importance of workplace democracy – not just on economic grounds but by making the democratic case for it. The wider constitutional and governance agenda for Britain is unlikely to succeed without the change in culture a greater emphasis on workplace democracy would bring.

The government should take a lead in developing best workplace democracy in the public services. They should lead by example and

demonstrate that if there can be a minimum wage there can be a minimum standard for democracy in the workplace.

The government should look to increase funds for unions and employees to ensure representatives are properly trained and resourced. These would need to be sufficient and provided over enough time to ensure there was effective representation on behalf of all employees.

The government should set up a commission to report on the benefits of workplace democracy and the steps required to spread best practice as widely as possible.

The trade unions must not just wait for the government to act, but should commit time, energy and resources to show that workplace democracy is both effective and popular.

# I

## Introduction: the case for workplace democracy

Most of us, most of the time, clock into and out of work with very little formal say about what happens there. Despite 'flexi-time' and 'work-life balance' being adopted as new buzz words for some employers, we are largely still treated as worker bees. We are told what to do and are measured and monitored along the way. Too many British workplaces remain bastions of hierarchical authority and democratic inequality. Workers are spoken to rather than being encouraged to express opinions and raise grievances. Domination and control rather than fairness and empowerment continue to characterise most workplaces. For most of us freedom comes at the end of the working day.

This means that our emotional and cultural experience of work is out of kilter with the rest of our lives. As consumers and citizens it is more and more accepted that we should have power in terms of influencing the institutions that shape and affect our lives. Why should this not be the case at work?

There is a growing body of evidence that suggests workers are increasingly concerned about controlling their working environment. Workplace Employment Relations Surveys show, for example, that only a third of employers are satisfied with their involvement in decision making in the workplace, and a 2002 Department of Trade and Industry (DTI) survey revealed that 70 per cent of job seekers express a desire to have greater control of their working hours.<sup>2</sup>

This is the space in which a new debate about workplace democracy can take shape. Workplace democracy is not just about structures and processes. The absence of democracy

in any meaningful economic sphere is in direct conflict with a comprehensive theory of justice, which values liberty, equality and democracy.<sup>3</sup>

### Why workplace democracy is important

Work is too important to our lives and to the fabric of society for us to remain ambivalent about how employers treat employees.

Not only does work take up much of our adult life but, as Hodgson reminds us, it is 'from work [that] people derive a sense of self-esteem; it is a source of self-identity and self-actualisation'.<sup>4</sup> Work is more than simply a means of monetary remuneration: It is a place of complex human interaction, where we can develop our social skills and personal narrative about our place in the world. It is the site in which we derive our sense of personal worth.

Our experiences at work have a profound impact on our emotional, psychological and social development. Work helps make us what we are. If, as employees, we are treated as mere appendages to the production process then the workplace ceases to be an avenue of personal development and becomes a place of thwarted ambition and unfulfilled potential. How, when and where we work can be the source of great satisfaction and personal fulfillment but, equally, it can be the cause of considerable stress, disenchantment and alienation.

Increasingly it is not just the quantity of goods and services we consume that matters to us but the quality of our lives. People are rightly searching for meaning in their lives. The emerging happiness agenda is predicated on the

2. Coats, D. (2006), 'No going back to the 1970s?: the case for a revival of industrial democracy', *New Economy*, Vol. 13, Issue 4; see [www.employersforwork-lifebalance.org.uk/business/recruit.htm](http://www.employersforwork-lifebalance.org.uk/business/recruit.htm).

See also Jones, A. (2003), *About Time for Change*, The Work Foundation and Employers for Work-life Balance, and Bevan, S. (2004), *The Ethical Employee*, The Work Foundation and The Future Foundation.

3. Rawls, J. (1999), *A Theory of Justice* (rev ed), Oxford University Press.

4. Hodgson, G. (1984), *The Democratic Economy*, Penguin, p132.



fact that increases in wealth matters enormously to those on the bottom of the income ladder, but for many further up the economic and social scale more money does not bring with it a corresponding increase in fulfillment.

### A rights based case for workplace democracy

It is clear that the absence of democratic principles in the workplace is at odds with many of the values we hold most dear in civil society. If we value the liberal tenets of liberty, equality, solidarity and democracy, then we must also be concerned about how citizens are treated in the workplace.

The founding principle of modern liberal society is that all men and women are born and remain free and equal.<sup>5</sup> Through the universal notion of citizenship we enjoy certain legally protected freedoms such as freedom of association, expression, movement and conscience, and we are also ensured equal respect before the law and an equal stake in society.

Democracy is a direct descendant of these core liberal principles. Democracy demands freedom of association and freedom of conscience; it provides an avenue for free expression; and it confirms equality of citizenship through universal suffrage.<sup>6</sup> Democracy is one of the defining characteristics of modern liberal society and one we would be singularly unwilling to do without.

And yet we appear to have few qualms about democratic principles being excluded from the workplace. We routinely accept that employers dictate our working hours, our pay, when and for how long we can take holidays, as well as determining company policy and strategy. Free speech is sidelined by the threat of dismissal or career regression, and the notion that all citizens should be treated with equal respect carries little if any weight.

The absence of free speech and personal autonomy in the economic sphere is thus in direct conflict with a comprehensive theory of justice that values liberty, equality and 'reasonable pluralism'.<sup>7</sup> This can have a profound impact on both individual workers and wider civil society.

By empowering employees with the autonomy to control their lives, workplace

democracy has a central role to play in the development of a good work agenda. Until workplaces cease to be no-go areas for democratic principles, we will remain empowered as consumers and increasingly as citizens, but disempowered as workers.

This absurdly contradictory position is subject to dual pressures and is ultimately unsustainable. On one hand, citizens who are deemed sufficiently competent to decide matters of national and local governance will inevitably question their exclusion from decision-making processes in the workplace. Equally, if people continue to be denied the opportunity to participate in decision making at work, they are likely to be less willing and less prepared to participate in other societal decisions. The danger is that the latter of these alternatives prevails and the participatory nature of society is compromised.

The workplace should not be seen as external to democratic society. Indeed, the opportunity to participate in decisions at one's place of work is of crucial significance to the development of a participatory civic culture.<sup>8</sup>

J.S. Mill also emphasised that although national elections were a remote political act that 'leaves [man's] intellect and his moral dispositions very much as it found them', the intense and repetitive nature of low-level workplace participation could 'teach' workers how to participate in wider societal issues. For Mill the real value of workplace democracy lay in the proximity of the employee to the democratic process. 'It is only by practising popular government on a limited scale', Mill wrote, 'that the people will ever learn how to exercise it on a larger scale.'<sup>9</sup>

It is no coincidence that the high point of the growth in trade union membership in the late 1950s and early 1960s coincided with the high point in turnout for elections in Britain. A sense of empowerment in the workplace feeds into a hunger and desire for a chance to participate elsewhere in our lives.<sup>10</sup> In one sense, this justifies the link between the trade union and political party wings of the labour movement.

G.D.H. Cole considered industrial democracy to be of particular importance because the proximity of workers to the production process exposed them to exploitation and

5. Article I, 'Declaration of the Rights of Man and Citizens', approved by the National Assembly of France, 1789.

6. See Lawson, N. (2004), *Dare More Democracy*, Compass, [http://clients.squareeye.com/uploads/compass/documents/dare\\_more\\_democracy.pdf](http://clients.squareeye.com/uploads/compass/documents/dare_more_democracy.pdf).

7. Rawls, *Theory of Justice*. See also Cole, G.D.H. (1919), *Self-government in Industry*, G. Bell & Sons, p182.

8. See Pateman, C. (1970), *Participation and Democratic Theory*, Cambridge University Press, pp45-47; Almond, G.A. and Verba, S. (1965), *The Civic Culture*, Boston, Little Brown & Co.; Cole, *Self-government in Industry*; and Rousseau, J. (1762), *The Social Contract*.

9. Mill, J.S. (1963), *Essays on Politics and Culture*, Anchor Books, p183. See also Mill, J.S. (1875), *Considerations on Representative Government*, Longmans Green.

10. Pateman, *Participation and Democratic Theory*, pp30 and 45.

hierarchy at close quarters. Cole accordingly saw great potential for workplace democracy to develop political consciousness but he also cautioned that ‘a servile system of industry inevitably reflects itself in political servility’.<sup>11</sup>

The workplace can, therefore, act as an ‘academy of citizenship’, training workers in the intricacies and pitfalls of participation and, more importantly, conditioning them to feel part of the democratic process.<sup>12</sup> Or, if there is little or no democratic input, the workplace can act as barrier to wider participation as a social and political citizen.

Workplace democracy is fundamental to the kind of society we want to live in. If we seek to promote and foster political and social equality and public-spirited participation in democratic politics, then we cannot ignore domination and hierarchy in the economic sphere.<sup>13</sup> Democracy demands a holistic approach and work is too central to our lives and too important to individual and societal development to remain outside the fabric of the democratic society. Indeed, it is hard to argue that we live in a democracy while the imbalance between the workplace and the rest of our lives remains so out of kilter.

In the recent ‘Programme for Renewal’ Compass stressed the need for ‘a new debate about the future of work and business organisation’.<sup>14</sup> In *The Good Society* we set out the parameters of this debate; emphasising a ‘caring economy’ and a ‘good work agenda’ where the nature and experience of work matters as much as the existence of work itself. ‘The good economy’, we contended, ‘is a democratised and accountable economy. It promotes good working conditions, democratic workplaces, more work–time flexibility and more employee control over work.’<sup>15</sup>

In *A New Political Economy* we further outlined our commitment to ‘greater levels of choice, flexibility and control for workers’ so that employees have ‘autonomy and control over the pace of work and the working environment’.<sup>16</sup> We also asserted that ‘there needs to be voice for workers in the critical decisions that affect their futures’, a point we elaborated further in the final part of the ‘Programme for Renewal’, *Democracy and the Public Realm*.<sup>17</sup>

Compass is soon to publish a report on co-production in public services and the democratisation of the NHS. All of this work is centred on the progressive belief that people have within them enormous creative potential to shape rich and diverse lives and that it is the job of politics to work with them to help create the structures, processes and institutions to make self-management a reality. The danger and the worry is that the world of work is being left behind.

‘Democracy demands a holistic approach and work is too central to our lives and too important to individual and societal development to remain outside the fabric of the democratic society.’

This publication will show that there is a strong business case as well as an overwhelming ethical argument for workplace democracy. Empowering workers with the freedom to shape the conditions of their labour is not only of potential benefit to employers but it is also the right thing to do. Right in terms of equality, right for individual liberty and right for the development of participatory civic culture. ‘We believe in workplace democracy’, the world-renowned global economist Joseph Stiglitz contends, ‘regardless of whether it increases economic efficiency or not... [because] economic democracy is an essential part of a democratic society.’<sup>18</sup> The notion of democracy in the workplace must become part of the centre-left’s vision of the good society.

The aim of this pamphlet is to get workplace democracy back on the political map, not just because it is the right thing to do, but because now is the right time to do it. The pamphlet makes both the intrinsic and instrumental case for workplace democracy before examining the European experience and some examples of democracy at work. Finally it discusses workplace democracy and trade union renewal, before setting out what needs to be done to get the issue moving again. First though we need to establish what workplace democracy means.

11. Cole, quoted in Pateman, *Participation and Democratic Theory*, pp37–8, and p45.

12. Coats, ‘No going back to the 1970s’, p6. See also Pateman, *Participation and Democratic Theory*, p50.

13. White, S. ‘Is civic republicanism the left’s big idea?’, *Renewal*, Vol.

14. Shah, H. and Goss, S. (eds) (2007), *Democracy in the Public Realm*, Compass, p49.

15. Rutherford, J. and Shah, H. (eds) (2006), *The Good Society*, Compass, p22.

16. McIvor, M. and Shah, H. (eds) (2006), *A New Political Economy*, Compass, p.68.

17. Shah and Goss, *Democracy in the Public Realm*, pp48–53.

18. Quoted in Coats, ‘No going back to the 1970s’, p4.



## Defining workplace democracy: the existing legislative frameworks

In essence the legislative framework for workplace democracy exists in European and UK law in terms of regulations for information and consultation. The general consensus is that to be able to fulfil their rights, workers need to know what situations, plans and potential problems the company or organisation faces (information), as well as have recourse to a corresponding structure through which they can make their opinions known to their employers, and have them considered and responded to (consultation).

### The European Union (EU) and workplace democracy

The European Union sought for many years to introduce legislation that would set Europe-wide minimum standards for companies with regard to providing information to employees and consulting employees on decisions.

Over a decade ago, through the European Works Council Directive (Directive 94/45/EC), the EU legislated to promote greater representation of employees in companies that straddled the national borders of the EU member states.

Directives have also been passed that relate to specific situations, for example in transfer of undertakings – take-overs or mergers<sup>19</sup> and collective redundancy,<sup>20</sup> but this led to fragmented legislation, not a coherent set of standards for all workers. After much negotiation Directive 2002/14/EC, ‘the Framework Directive’, established a general framework for informing and consulting employees in the European Community.

As its title suggests, the Framework Directive, which came into force in March 2002, sets out minimum requirements for the right to information and consultation of employees within the EU. The Directive covers companies with at least 50 employees or establishments with at least 20 – member states can choose which threshold should apply to them.

Article 4 of the Directive outlines the type of information employers are expected to provide for their employees; the situations in which consultation with employees is required; and key principles that should govern the consultation. Under the Directive, workers should be entitled to information about the operations, financial situation and future directions that the company or organisation they work in is undertaking or facing, as well as be consulted on any decisions that would affect these things. Consultation should be undertaken within an appropriate timescale, include opportunities for employees to meet employers to get a response to their submissions, and with a view to reaching agreement on decisions.

Information and consultation must cover:

- Information on the recent and probable development of the undertaking’s or the establishment’s activities and economic situation
- Information and consultation on the situation, structure and probably development of employment within the undertaking or establishment and on any antic-

19. Directive 77/187/EEC, ‘the Acquired Rights Directive’, and Directive 2001/23/EC of 12 March 2001.

20. Directive 98/59/EC, 20 July 1998.

patory measures envisaged, in particular where there is a threat to employment

- Information and consultation on decisions likely to lead to substantial changes in work organisation or in contractual relations.

The Directive stipulates that consultations must take place:

- While ensuring that the timing, method and content thereof are appropriate
- At the relevant level of management and representation
- On the basis of information supplied by the employer and the opinions which the employees' representatives are entitled to formulate
- In such a way as to enable employees' representatives to meet the employer and obtain a response, and the reasons for that response, to any option they might formulate
- With a view to reaching an agreement on decisions within the scope of the employer's powers.

Employers are not required to communicate information or undertake consultations if to do so would 'seriously harm the functioning of the undertaking or establishment or would be prejudicial to it' according to 'objective criteria' (Article 6).

The Directive offers protection of employees' representatives carrying out their functions under the Directive (Article 7) and obliges member states to stipulate enforcement provisions that are 'effective, proportionate and dissuasive' if employers or employees representatives infringe the provisions of the Directive (Article 8).

### The United Kingdom and workplace democracy

The Information and Consultation of Employees Regulations 2004 (the ICE Regulations) were intended to implement the EU Framework Directive at a national level and set out a framework in law for information and consultation expectations on employers in the UK. Like the EU Framework Directive, the ICE Regulations compel employers to establish a framework in which they will provide information to their employees and consult on decisions with a view to reaching agreements.

The Regulations have been introduced in phases – when first introduced in April 2005, the Regulations only applied to companies employing more than 150 workers. By April 2008 the Regulations will apply to all companies or organisations employing 50 or more people.

The ICE Regulations allow employers and employees to come to a negotiated agreement on practical arrangements for information and consultation but set out 'standard provisions' (Part 4) that are to be enacted if no other agreement is reached.

Under the ICE Regulations, employers must provide three categories of information to employee representatives:

- The recent and probable development of the undertaking's activities and economic situation
- The situation, structure and probable development of employment within the undertaking
- Decisions likely to lead to substantial changes in work organisation or contractual relations.

The information timing and quality of the information is also covered in the Regulations. Part 5 states the information 'must be given at such time, in such fashion and with such content as [is] appropriate to enable, in particular, the information and consultation representatives to conduct an adequate study and, where necessary, to prepare for consultation'.

Similarly on consultation, the Regulations state that the employer must ensure consultations are conducted:

- In such a way as to ensure that the timing, method and content of the consultation are appropriate
- On the basis of the information supplied by the employer to the information and consultation representatives and of any opinion which those representatives express to the employer
- In such a way as to enable the information and consultation representatives to meet the employer at the relevant level of management depending on the subject

under discussion and to obtain a reasoned response from the employer to any such opinion.

Importantly, the ICE Regulations are underpinned by a duty of co-operation, recognising that rights go hand-in-hand with responsibilities. Part 5 of the Regulations states:

*The parties are under a duty, when negotiating or implementing a negotiated agreement or when implementing the standard information and consultation provisions, to work in a spirit of co-operation and with due regard for their reciprocal rights and obligations, taking into account the interests of both the undertaking and the employees.<sup>21</sup>*

“There is little value in having a body of poorly trained representatives who are unable to ask searching questions about the information they have received or frame a sophisticated response to the employer’s proposals...”

The ICE Regulations provide a framework of rights and protections for employees who act as negotiating representatives or information and consultation representatives under the legislation. Part 8 of the Regulations outlines the right for employees in these positions to paid time off in order to fulfil their roles as well as protection against unfair dismissal and detrimental treatment based on their activities in relation to their information and consultation roles. The Regulations stipulate recourse for employees who believe their rights under this section of the Regulation have been breached.

As in the EU Framework Directive, there are some exemptions to the obligation on employers to provide information to employees. Part 7 of the Regulations states: ‘The employer is not required to disclose any information or document to a person for the purposes of these Regulations where the

nature of the information or document is such that, according to objective criteria, the disclosure of the information or document would seriously harm the functioning of, or would be prejudicial to, the undertaking.’

### ***Criticisms of the legislative framework***

The legislative frameworks for information and consultation undoubtedly give employees the right to be informed and, importantly, consulted with a view to reaching an agreement on key issues and decisions. However, there are a number of practical weaknesses, which makes the framework very tough to implement for workers who want a democratic voice. Hence the gap between the legal position and the lack of progress in terms of more widespread democratic workplaces.

For unions, the introduction of the Regulations creates a structure for information and consultation in the workplace that is not dependent on union activity or involvement. Some union representatives feared the new structures would threaten the idea of collective bargaining and that the new Regulations would be used as a way to sideline union representatives or play them off against non-union representatives.

Indeed, the Regulations were engineered to provide for flexibility in implementation so each organisation or business could design the most suitable framework for information and consultation for their workplace. However, this flexibility is exploited by employers who are less than enthusiastic about information and consultation rights.

In a detailed study of two businesses that had begun to implement the Regulations, Koukiadaki concluded that ‘the influence of the minimalist approach adopted in the institutional framework of the ICER in conjunction with the fact that the resulting arrangements for employee voice were largely determined by management apprehension to the concept of employee representative participation meant that the extent to which the ICE arrangements could develop capabilities for employee voice were, to some extent, constrained’.<sup>22</sup> Because information and consultation arrangements are negotiated, if employers are able to persuade employees of the merits of their proposals,

21. See [www.opsi.gov.uk/si/si2004/20043426.htm](http://www.opsi.gov.uk/si/si2004/20043426.htm).

22. Koukiadaki, A ‘The establishment and operation of information and consultation of employees arrangements in the UK: case study evidence’, presented at Cornell-Warwick Doctoral Symposium, Cornell University, May 2007; Coats, ‘No going back to the 1970s?’, p15.

arrangements can fall well below minimum standards outlined in the Regulations.

On the coming into force of the EU Directive and in anticipation of national legislation to implement the Directive in the UK, David Coats pointed out that employees and employers alike might not have the skills and experience to make effective use of the information and consultation minimum standards. In *Speaking Up!*, Coates says: 'There is little value in having a body of poorly trained representatives who are unable to ask searching questions about the information they have received or frame a sophisticated response to the employer's proposals... There may be a case for public intervention to ensure that all participants have the capabilities they need to make the best of the new institutions.'<sup>23</sup> Making

the most of the existing legislative framework for workplace democracy requires legal and negotiating skills over a sustained period of time. How is this to be funded?

Finally, for companies that refuse to adhere to the legislative framework there is a fine that can be imposed. But once again, this requires experience and skills that many workers' representatives simply do not have, or they lack the time to pursue what is inevitably a long legal procedure. Even if companies are found guilty the range of fines is so low (at around £50,000) that big multinationals have no incentive to play the democracy process fairly and constructively.

This, as we shall now see, hinders the progress of the company, the individual and the nation.

23. Coats, D. *Speaking Up! voice, industrial democracy and organisational performance*, The Work Foundation, 1994, p43.



## The instrumental benefits of workplace democracy

The authentic voice of Marxist class struggle decrees the interests of capital and labour to be diametrically and irrevocably opposed: the former ruthlessly exploits the latter in order to maximise profits and maintain social hierarchy. On this reading, one should dismiss the notion that employers might seek to consult workers on even the most trivial of issues.

But what might have been true of nineteenth-century Britain is clearly not an accurate representation of industrial relations in the modern, globalised era. Employers are becoming increasingly aware of the value of corporate social responsibility (CSR), work-life balance and the value of their reputation with all stakeholders.<sup>24</sup> Indeed, it is one of the paradoxes of participation that although workplace democracy has virtually dropped off the political and trade union radar in recent years, there has been a marked growth in employer-driven workplace participation; but most of this is individual ‘participation’ and has little to do with independent collective voice.<sup>25</sup>

This phenomenon is open to differing interpretation. Some analyses suggest this recent surge in top-down workplace consultation is nothing more than a cynical attempt by employers to retain workers’ acquiescence in a period where, for various reasons, managerial authority is threatened or it represents a necessary response to the retreat of trade unions – employers therefore have to intensify their efforts to communicate with individual employees because the union is not there as a channel.<sup>26</sup> But this fails to take account of the

‘durable and continually expanding’ nature of many democratic workplace initiatives.<sup>27</sup>

While this analysis is perhaps insufficiently nuanced to reflect the multiplicity of reasons that lead employers to adopt participatory workplace initiatives, it would be naïve to assume that all are driven by an appreciation of the ethical inadequacies of hierarchical management techniques. Some companies do indeed find their motivation in a profound ethical conviction but it is the instrumental benefits of workplace democracy that continue to be most appealing for many businesses.

Indeed, a number of recent studies have suggested that by valuing what the celebrated US psychologist Abraham Maslow refers to as the ‘human element’ in business, it is possible to increase efficiency, productivity and employee satisfaction.<sup>28</sup>

Lynda Gratton, for example, has shown that democratic structures can enable a company to become more agile, better able to integrate new workers and more responsive to changing circumstances.<sup>29</sup> It is thus no coincidence that ‘the most democratic companies’ in Gratton’s sample ‘were also among the highest performing’.<sup>30</sup>

In this sense we can identify two models of workplace flexibility. The first is the freedom to ‘hire and fire’ in a flexible labour market that is really no more than a race to the bottom in terms of standards, quality, prices and pay. The second model of flexibility is an adaptive and innovative enterprise based on the empowerment and participation of workers who play a leading role in developing new services and products through their empowerment and

24. See, for example, Turban, D. and Greening D. (1996), ‘Corporate social performance and organisational attractiveness to prospective employees’, *Academy of Management Journal*, Vol. 40, No. 3, pp658–672.

25. Harley, B., Hyman J. and Thompson, P. (2005), ‘The paradoxes of participation’, in Harley B. et al. (eds), *Participation and Democracy at Work*, Macmillan, p2.

26. Ramsey, H. (1977), ‘Cycles of control: worker participation in sociological and historical perspective’, *Sociology*, Vol. 11, pp481–506.

27. Harley et al., ‘Paradoxes of participation’, pp2–5. See also Pendleton, A. (2005), ‘Employee share ownership, employment relationships and corporate government’, in Harley et al. (eds), *Participation and Democracy at Work*, pp76–78.

28. Maslow, A.H. (1943), ‘A theory of human understanding’, *Psychological Review*, Vol. 50, pp370–376. See also Maslow, A.H. (1970), *Motivation and Personality*, Harper and Row.

29. Gratton, L. (2004), *The Democratic Enterprise*, Pearson.

30. *Ibid.*, p200 and pp206–212.

engagement at the workplace. The first we could call ‘forced flexibility’, the second – based on workplace democracy and the active consent and involvement of the workforce through democratic structures – could be termed ‘constructive flexibility’.

Crucially this second and decisively different model of labour flexibility is contingent on a different concept of management. No longer is the firm a hierarchical entity based on the efforts and insights of an all-powerful and all-controlling management team or a heroic CEO figure, rather it is a social entity whose success is based on the efforts and inputs of all employees.

And Gratton is not alone in equating workplace democracy with increased profitability. A recent Work Foundation survey concluded that ‘an arrangement that suits the employee will often be the one that creates higher productivity and loyalty to the organisation’;<sup>31</sup> Hannah Reed has also shown that workplaces that consult staff are 33 per cent more likely to have above-average financial performance<sup>32</sup> and, as Coats contends, ‘the best research suggests that genuinely giving employees control generates higher levels of job satisfaction and higher productivity’.<sup>33</sup>

Empirical evidence therefore seems to support the notion exemplified by Mill that ‘when people are engaged in the resolution of problems affecting themselves or the whole collectively, energies are unleashed which enhance the likelihood of creation of imaginative solutions and successful strategies’.<sup>34</sup>

And it is not difficult to see why this arrangement can deliver considerable financial benefits for business. By empowering workers to have a greater stake in the future of their company, employers increase the likelihood that staff will be more committed, co-operative and loyal. Crucially, workplace consultation can also foster relations of trust between employer and employee, thereby avoiding a culture of disengagement where managers rely on bureaucracy and supervision to ensure workers carry out their (often monotonous) tasks.<sup>35</sup> Democratic workplace practices cut out the ‘organisational waste’ of hierarchical management techniques and

ensure employers and employees have a ‘shared purpose’ in the enterprise’s success.<sup>36</sup>

A more content and fulfilled staff are also more likely to provide the dynamism that businesses need to flourish in increasingly competitive markets. Indeed, in the words of Gratton, it is through the creativity of one’s staff that businesses ‘uncover new opportunities, and breach old assumptions’, and the scope for this kind of innovative thinking is considerably diminished if management treats workers as passive automata.<sup>37</sup>

The interests of the firm are, of course, essential. But so too are those of the workers. There is also growing evidence that employees are increasingly inclined to consider the democratic credentials and corporate reputation of potential employers. A recent Work Foundation report found, for example, that although wage levels remain extremely important, employees also value a variety of other issues – including the nature of their work and workplace consultation.<sup>38</sup> Indeed, the same report concluded that ‘in a tight labour market, a positive employer brand can make a real difference’ and act as a ‘way of differentiating one organisation from another [by] creating a strong, distinctive and attractive identity’.<sup>39</sup>

This is, perhaps, the inevitable result of a more highly educated and skilled workforce competing in a relatively stable employment market. It is one of New Labour’s greatest achievements that widespread unemployment – once the great issue of the day – is, for now, a thing of the past. And with this newfound relative security, workers are no longer grateful for simply having *any* job. Rather they feel entitled to a good job; a job where they are valued as dynamic contributors in a collective enterprise; a job where employers are as grateful for having a highly skilled workforce as employees are for having the opportunity to work.<sup>40</sup>

Work Foundation research has shown that the age group which is most likely to value CSR and ethical workplace practices are those aged between 18 and 24.<sup>41</sup> Prominent among this age cohort are a growing number of newly qualified and highly employable graduates whose skills and dynamism are vital for

31. Jones, *About Time for Change*.

32. Reed, H. ‘Britain: Inform! Consult! Organise!’, in Coats, D. et al., (2005), *Towards a Europeanisation of Industrial Relations: a summary of the fourth UK–German Trades Union Forum*, p4; see [www.agf.org.uk/pubs/pdfs/1509web.pdf](http://www.agf.org.uk/pubs/pdfs/1509web.pdf).

33. Coats, ‘No going back to the 1970s!’, p5.

34. Mill (1875). See also Cole (1919), as quoted in *Pateman, Participation and Democratic Theory*, p108.

35. Gratton, *Democratic Enterprise*, esp. ppxvi–xviii. Payne, J. and Keep, E. (2005), ‘Promoting workplace development’ in Harley et al. (eds), *Participation and Democracy at Work*, p149. See also Shah and Goss, *Democracy in the Public Realm*, p48.

36. Gratton, *Democratic Enterprise*, pxxvi.

37. *Ibid.*, p200.

38. Bevan, *Ethical Employee*.

39. *Ibid.*, pp7–10.

40. Speech by Tony Blair, ‘Our Nation’s Future – the role of work’, 29 March 2007.

41. Bevan, *Ethical Employee*, pp18–19.



ensuring the long-term economic success of forward-thinking businesses. It is thus no coincidence that graduate recruitment literature of companies such as KPMG now repeatedly emphasise CSR, work-life balance and charitable initiatives.<sup>42</sup>

And enlightened workplace initiatives not only play an important role in recruiting a high calibre of employee, but they can also increase retention rates and reduce absence.<sup>43</sup> The challenge now is to build on voluntary and individual improvements and make the leap into collective and legally binding forms of consultation.

The CBI is among the organisations that have condemned the UK's high absence levels – which they estimate cost the UK economy around £11.6 billion a year.<sup>44</sup> Recent research has confirmed the instinctive truism that absence levels are reduced when workers feel more in control of their working hours and conditions and, indeed, companies such as BT have reported a marked decline in levels of absence since introducing flexible working hours and home working initiatives.<sup>45</sup>

High staff turnover and the inability to retain well-trained and experienced employees are a further thorn in the side of many businesses. A 2002 DTI report showed, for example, that two-thirds of organisations considered staff turnover was having a negative impact on their business.<sup>46</sup> The costs of staff turnover vary, with the amount of time and training a company has invested in its staff, but research by the Work Foundation and Employers and Work-life Balance estimate that 'replacement staff can cost [a company] anything from £5,000 to £10,000' per person.<sup>47</sup>

It is thus perhaps no surprise that companies like KPMG – which invest heavily in training their graduate intake and have a staff turnover of around 25 per cent per year – have proved particularly willing to adopt consultative workplace practices and work-life balance initiatives. But what legislation ensures is that there is no 'rhetoric reality gap'. It's all very well having a policy, but quite another thing for employees to believe that they can make use of the policy without detriment.

When considering the qualitative merits of employer-led workplace consultation initia-

tives it is well to remember that, in the words of Bevan, there is 'an element of self-interest operating under the overall umbrella of expressed altruism'.<sup>48</sup> Business proceeds from essentially profit-driven motives and, as Coats contends, it is not easy 'to see how [business] objectives can be achieved if workers are disaffected, alienated and willing to adopt the sabotage of the productive process of their mission'.<sup>49</sup> Again, the important point here is that workers must have effective rights to initiate a process of information and consultation, with some guarantee that the employer will comply – this is the purpose of the ICE regulations, which assume that employers will not inform and consult unless they are compelled to do so.

By increasing worker commitment, contentment, loyalty and trust, employers are better able to free the latent potential of their workforce and thereby reduce absence, staff turnover and wider inefficiencies. The net result is businesses that are more competitive, more productive and more profitable.<sup>50</sup>

But should we be concerned that at least some employers pursue these 'enlightened' employment practices primarily out of naked self-interest? Is this not the capitalist wolf in democratic clothing? Or should we look instead at the results of these employer-led initiatives and rest assured that while employers' hearts might not always be in the right place, the by-product of this process is a more content and empowered workforce?

We should remain sceptical of employers' motives and cautious of encouraging *any* form of nominally consultative workplace initiative. But if the result of management-led participative programmes is sustained and meaningful consultative arrangements that involve a shift in workplace power relations, then we should welcome them. But the next step is to say that all employers should be compelled to inform and consult like the best do.

That successful companies might become more profitable as a result of these initiatives should not obscure the benefits for workers: greater control over their working environment, a greater sense of self-worth, improved working conditions and exposure to democratic principles and procedures. Work can

42. See [www.kmpgcareers.co.uk](http://www.kmpgcareers.co.uk).

43. See, for example, Gratton, *Democratic Enterprise*, p211.

44. Jones, *About Time For Change*.

45. *Ibid.* See also Gratton, *Democratic Enterprise*, pp209–211.

46. See [www.employersforwork-lifebalance.org.uk/business/recruit.htm](http://www.employersforwork-lifebalance.org.uk/business/recruit.htm); see also Bevan, *Ethical Employee*, pp4–5.

47. See [www.employersforwork-lifebalance.org.uk/business/recruit.htm](http://www.employersforwork-lifebalance.org.uk/business/recruit.htm).

48. Bevan, *Ethical Employee*, p10.

49. Coats, 'No going back to the 1970s?', p6.

50. See, for example, the '5 reasons to become a democratic enterprise', in Gratton, *Democratic Enterprise*, pp206–218.

and should be as much of a liberating experience for workers in all types of jobs. Of course some jobs are much more routinised than others. But even the most prescribed work processes need to be refined and restructured and should allow the scope for employee voice. And where work is less stimulating and creative, the demand for some democracy over pay and conditions is likely to be even more welcome.

Workplace democracy is not about scoring points against the business community in the

name of the eternal class struggle. It is not about reducing profitability and preventing managers from managing. Rather it is about ensuring that the principles of liberty, equality and democracy are extended to the economic sphere in a way that empowers workers and thereby increases productivity and efficiency. The democratic enterprise, as Gratton contends, is one 'where individual benefits are not at the expense of the organisation and...organisational benefits are not at the expense of the individual'.<sup>51</sup>

51. *Ibid.*, p.xviii.

# IV

## Trade union renewal

*Information and consultation provides unions with a golden opportunity to increase their presence in workplaces, particularly those where there are union members but where the boss has until now been refusing to engage collectively with staff.*

Brendan Barber, TUC General Secretary, on the ICE Regulations coming into force, 6 April 2005

The trade union movement is the largest and one of the longest surviving workers' organisational forces in the UK. While other workers' groups have proved transitory, trade unions have been fighting for the maintenance or improvement of workers' rights for almost 150 years.<sup>52</sup> No political organisation could have survived so long without adapting and evolving to suit its surroundings. And as the modern globalised economy drives through rapid social, cultural and political change, as well as fundamental changes in types of jobs and the way those jobs are done, trade unions face new challenges.

Not least of these is the steady decline in union membership. The figures of National Statistics show the current rate of union membership among all workers is now only 25.8 per cent. At the last count (December 2006) union membership had declined by the largest annual percentage since 1998. In the quarter ending December 2006, the rate of union membership for employees in the UK fell by 0.6 percentage points to 28.4 per cent, from 29.0 per cent in autumn 2005.<sup>53</sup>

This chapter will explore the theoretical basis for trade unions to take up the workplace democracy agenda and argues that there are compelling practical factors

demonstrating trade unions can, and do, make a real difference in workplaces. In this, unions have a crucial opportunity to stand up for better work life and to begin to re-build their membership bases.

### Theoretical basis

***The good work agenda: a 'holistic approach' to good work should include workplace democracy***

David Coats of the Work Foundation recently argued:

*Work organisation and job design may not be traditional trade union issues but, as we can see, they are the source of much discontent in today's workplaces. Making the promotion of 'good work' a priority in both organising and bargaining strategies could lead to a rapid growth in membership and the ability to make more of a difference to people's working lives. With trade unions in the lead British workplaces could be healthier, happier and more productive.<sup>54</sup>*

'Good jobs' are still the exception rather than the rule. Monotony and frustration are far more prevalent than attainment and fulfilment. A recent study by the Health and Safety Executive found, for example, that 500,000 UK workers experience work-related stress that makes them ill, and a further five million people feel 'very' or 'extremely' stressed while at work.<sup>55</sup>

The Work Foundation – one of the great champions of the 'good work agenda' – also offers the sobering assessment that while UK employment numbers are higher than ever,

52. Pelling, H. (1976), *A History of Trade Unionism*, Macmillan.

53. See [www.statistics.gov.uk/CCI/nugget.asp?ID=4&Pos=4&ColRank=2&Rank=448](http://www.statistics.gov.uk/CCI/nugget.asp?ID=4&Pos=4&ColRank=2&Rank=448).

54. Coats, D. (2007), 'Good work for all? Job quality, health and well-being in British workplaces', in *Unions 21*, *ForeFront*, Issue 8, p3.

55. Jones, pp5–12. See also London School of Economics/Policy Studies Institute (2002), *Working In Britain Survey*, and Reeves, R (2002), *Dad's Army: the case for father-friendly workplaces*, The Work Foundation.

‘the quality of working life has fallen over the last decade. Employees report less satisfaction with working hours, difficulties in reconciling work and their caring responsibilities...fewer opportunities to influence their working environment, more stress and more pressure.’<sup>56</sup> A survey by the Organisation for Economic Co-operation and Development (OECD) also found that 41 per cent of workers in the UK feel unsure about the future of their job even when performing well, and the 2004 Workplace Employment Relations Survey (WERS) also found that just 63 per cent of employees are satisfied with their job security.<sup>57</sup> The Monday morning feeling is no longer confined to Mondays or, indeed, mornings.

Some unions have taken up the baton of workplace democracy, recognising that having a say and your views listened to, considered and responded to by managers in the workplace is a fundamental part of a good work experience.

Last year, the Amicus section of Unite set out its Agenda for Better Jobs, identifying five key elements to improve the quality of people’s working lives. These were: a safe and healthy workplace; control over the working environment; secure and interesting work; fairness and dignity at work; and a trade union voice.<sup>58</sup>

The Agenda for Better Jobs states that ‘improving the quality of people’s working lives not only enhances individuals’ personal well-being but it helps to lead better, more successful organisations and a more productive economy. Trade unions make a difference, particularly where there are effective relationships with employers and government’.<sup>59</sup>

In a survey undertaken as part of their Good Work campaign and to support the Agenda for Better Jobs, Amicus found that ‘the areas where respondents’ work experiences are most falling short are job security, control of the work environment and being treated with fairness and dignity at work’.<sup>60</sup>

There are clear indicators linking unhappiness and frustration at work with being disenfranchised and not able to have any say or control over ways of working or ways of dealing with challenges the company faces.

The concept of employees’ right to have a say and influence in decisions that affect their working conditions and the operation of their organisation should be at the very centre of trade union agendas in improving people’s working lives. As Neal Lawson put it, ‘this agenda takes unions beyond terms and conditions to adding real value to people’s working lives through personal development plans and the myriad forms of economic citizenship’.<sup>61</sup>

‘A survey by the Organisation for Economic Co-operation and Development (OECD) also found that 41 per cent of workers in the UK feel unsure about the future of their job even when performing well.’

### ***Workplace democracy and trade unions as academies of citizenship***

Earlier in this publication we demonstrated the link between democracy at work and wider participation in society. The history of trade unions as vital civic institutions is a proud one and workplace democracy offers a compelling opportunity to revitalise this pillar of trade unionism.<sup>62</sup>

Trade union rule books enshrine democratic mechanisms to ensure members have collective control over the organisation. For many, participation in trade union activity in the workplace has served as an introduction to democracy – sometimes a person has never voted in an election before. Indeed, trade unions derive much of their authority from their democratic credentials, and that of their representatives.

It is interesting to note that UK trade unions act in an international context and have for many years seen their mission as not only getting fair deals for people in the UK but also showing solidarity with unionists abroad who are fighting for fair deals and better conditions in their own countries. A fundamental belief in fairness and democracy has not stopped at the trade unions’ territorial boundaries. In fact, the TUC’s tagline proudly states, ‘With

56. D. Coats (2006), *An Agenda for Work: The Work Foundation’s challenge to policy makers*, The Work Foundation, [www.theworkfoundation.com/Assets/PDFs/Agenda\\_for\\_work.pdf](http://www.theworkfoundation.com/Assets/PDFs/Agenda_for_work.pdf).

57. Reported in Amicus (2006), *Good Work: an Amicus agenda for better jobs*, Amicus, p11.

58. Ibid.

59. Ibid., p6.

60. Amicus, (2006), *Unions and Good Work: results of an Amicus survey on the quality of people’s work experience*, Amicus, p3.

61. Curran, C. (2006), *Organising to Win: a programme for trade union renewal*, Compass, p5.

62. See Cole, as summarised in Pateman, *Participation and Democratic Theory*, pp36–38.

member unions representing over six and a half million working people, we campaign for a fair deal at work and for social justice at home and abroad.<sup>63</sup> Many unions work hard to build links with trade unions in countries where democracy is developing or threatened, interventions that they hope will help promote democracy, fairness and freedom. Recently, the TUC has been vocal in supporting pro-democracy and human rights campaigners in Burma, Zimbabwe and Colombia, among other places. Importantly, the TUC receives substantial government funding for its work overseas.

At the heart of trade union agendas should be the transposition of their founding ethos of bringing democratic decision making and collective voice into the workplace. Campaigns on information and consultation arrangements in the workplace would be a key driver in this, encouraging and training employees to exercise their democratic rights and to consider matters from a collective angle, as well as encouraging employers to consider their wider potential to promote citizenship in communities they operate through corporate social responsibility.

### Practical basis – trade unions working in a modern workplace

Trade unions really do make a difference. The Amicus Good Work survey concluded:

*On every indicator used in the questionnaire to consider respondents' quality of working life, those who have a trade union voice in the workplace report a more positive experience than those who do not. For two areas in particular – fairness and dignity at work, and control of the environment – the differences are significant.<sup>64</sup>*

*There is a strong correlation between people having a trade union voice in the workplace and reporting positive experiences in respect of being treated fairly at work, and feeling in control of their working environment.<sup>65</sup>*

The survey showed that 63 per cent of those with a trade union voice in the workplace said

that they were treated with fairness and dignity at work compared with 44 per cent of those without a trade union voice. Although just less than 48 per cent of those with a trade union voice in the workplace said that they feel in control of their working environment, this was considerably more than the proportion of those without a trade union voice (39 per cent).<sup>66</sup>

There are many identifiable advantages trade unions can bring in campaigns for greater workplace democracy, particularly in the implementation of the information and consultation framework enshrined in statute.

### The practicalities of upholding, promoting and protecting rights

Under the current information and consultation legislation, responsibility lies with employees to ask their employers to enter negotiations on new information and consultation arrangements. Effectively, it is trade unions which are tasked with policing the legislation, for the following reasons:

Employees often do not have experience of interpreting legislation or information and consultation proposals that their employers put on the table. Trade unions are a key resource of legal expertise and are experienced in identifying key points and implications of proposals. Trade unions can also play a key role in training workplace information and consultation representatives to ensure they are able to make the most out of their position and the information and consultation arrangements.

Employees often do not have a bench-mark with which to compare the information and consultation arrangement in their workplaces and so to judge whether or not it is a fair deal. Trade unions are uniquely placed to provide models for information and consultation that are effective and reflect the spirit of the legislation. This is particularly important given the flexibility of implementation that is afforded to companies by the legislation.

Legislation requires at least 10 per cent of the workforce to request negotiations on information and consultation arrangements for management to be compelled to oblige. Trade

63. See [www.tuc.org.uk/](http://www.tuc.org.uk/).

64. Amicus, *Unions and Good Work*, p5.

65. *Ibid.*, p6.

66. *Ibid.*, p5.

unions have experience and resources to mobilise workforces and provide people with compelling information to ensure they sign up to requests.

If 10 per cent of the workforce does not request negotiations, employers can claim 'pre-existing arrangements', which become more difficult for individuals or small groups of employees to challenge. Trade union expertise and resources can be key to mounting successful challenges, which require costly and specific legal representation. Importantly, if a company is found not to be fulfilling its obligations under the information and consultation regulations and fined, the money does not go to the employees, leaving employees with individual liability for legal costs.

Trade unions clearly have an important role to play in re-balancing the employment relationship. Unions remain the most effective voice mechanisms for employees. They can foster 'strength in numbers' as well as provide legal and financial assistance to put employees on a better footing to challenge employers, who have the resources of the company at hand.

Bargaining primarily on terms and conditions leaves the unions isolated around the symptoms of bad work rather than addressing the causes of good work. Taking an active role in shaping the well-being of their own members and other workers, alongside a process that could lead to increases in productivity and efficiency, is a recipe for trade union renewal on an impressive scale.



## The European experience of workplace democracy

Functioning models of workplace democracy using enlightened employment practices and dynamic trade unions can be found much more prominently across the rest of Europe and Scandinavia than the UK. The focus in this section is on both the Scandinavian experience and European works councils as examples of how workplace democracy has been implemented effectively and how these models can act as archetypes for the UK to follow.

### The Scandinavian models

First, the Scandinavian and wider Nordic economies are unlikely success stories that are scarcely repeated but deserve some analysis and consideration. Countries like Sweden, Denmark and Norway are not usually expected to be found among Europe's most competitive and productive markets, because they have not been blessed with raw materials, industrial bases, demographics or a climactic advantage like other European states. Despite this challenge, these states have enjoyed 'open, thriving and efficient economies operating on global markets'.<sup>67</sup>

Even with their different social, historical, political and cultural heritages, Scandinavian countries retain low interest rates, low inflation, low unemployment, high levels of growth, large balance of payment surpluses and considerable inward investment.<sup>68</sup> With booming telecommunications and export industries, the Scandinavian economies have also proved sufficiently durable to withstand and harness the energies of globalisation.

The greatest achievement of the Scandinavian models is that economic effi-

ciency, dynamism and innovation have been accomplished against the backdrop of an extensive welfare state that values high-quality public services, invests in human capital and provides generously for those unfortunate enough to be outside the labour market.

The Scandinavian models represent something of a contradiction to the neo-liberal notion that a solely minimalist state with deregulated markets can achieve any economic productivity.<sup>69</sup> Scandinavia has shown that there are alternatives.

However, neo-liberalism in the UK has not only ensured that public services and employment practices are inferior to European states, but it has also failed to produce the productivity gains its proponents promised. The neo-liberal approach has proved to be quite the contrary as productivity has remained stagnant and below the EU average when measured as output per hours worked.<sup>70</sup>

Scandinavian economic and social success has been based on what the Swedish government describes as 'a spirit of consensus' between progressive employers, empowered trade unions and an enlightened and enabling state.<sup>71</sup>

In his Compass pamphlet Robert Taylor demonstrated that employers in Sweden 'not only preach the virtues of flat hierarchies, workplace diversity, informal team working, direct communication and commitment but they apply such human resource management techniques in a coherent and holistic way with positive effect'.<sup>72</sup> These democratic employment practices are not a product of a coercive state, but of a widespread appreciation of its economic and social benefits by Swedish employers.

67. Taylor, R. (2005), *Sweden's New Social Democratic Model*, Compass, p17.

68. *Ibid.*, pp12–17.

69. *Ibid.*, p30.

70. See Excell, R. *Union Representatives and Company Performances*, TUC. 'If we look at labour productivity as measured by output per hour worked, in 2003 the UK's productivity stood at 95.2% of the average for the then 15 member states of the European Union, behind Belgium, Denmark, Germany, France, Ireland, the Netherlands and Sweden.'

71. Taylor, *Sweden's New Social Democratic Model*, pp18–19.

72. *Ibid.*, p20.

By pursuing socially responsible corporate policies and ensuring workers are equal citizens in the workplace, Scandinavian employers have been able to enjoy the kind of financial benefits outlined in section III. The most successful Scandinavian companies are those that have 'employment retention policies in place, regulate their turnover and appreciate experience'.<sup>73</sup> In short, the Scandinavian economy is driven by those who invest in human capital and value their employees as equal participants in a communal project.

However, it is not simply the internal composition and democratic principles of Scandinavian companies that explain their success. It is also their consensual willingness to work together across the labour movement, business and local communities and national political organisations.

Trade unions are also a significant factor in workplace involvement since pragmatism alone in the business community would not significantly bolster productivity. In Sweden, for example, trade unions have persisted through the Europe-wide decline in membership and have remained at the heart of economic modernisation. 'Swedish trade unions', as Taylor reminds us, 'have always believed in open markets, private and public investment in research and development' and 'continue to embrace technological change and co-operate in the restructuring of companies and the promotion of worker empowerment'.<sup>74</sup>

The positive, pro-active approach of Swedish trade unions is mirrored across Scandinavia and the wider Nordic region. 'During most of the twentieth century the trade union movements of all four Nordic countries were', as Taylor contends, 'unapologetic modernisers...they were self confident and secure enough in their legitimacy to welcome industrial and workplace change rather than resist or obstruct what needed to be done to ensure business success'.<sup>75</sup>

This tendency to look beyond narrow, self-interest and consider the wider interests of society has defined the Scandinavian models. The Scandinavian experience illustrates that when progressive, socially responsible employers work alongside dynamic, empowered trade unions, the result is a

buoyant economy that protects and supports workers. As Taylor emphasises, 'There is an obvious and imaginative symbiosis between progressive unionism and modernising management in the emergence of such an innovative and dynamic approach to the organisation of work'.<sup>76</sup>

The spirit of co-operation, mutual concern and respect consecrates the democratic process and civic engagement found in Scandinavia. Directly conflicting is that the lack of democratic participation at work in the UK serves as a barrier to the widening of democracy at every level.

The Scandinavian model demonstrates that a consensual approach to economic and social development along with the belief in mutual prosperity establishes a better economy with integrated employers. These same principles have been developed in the European Union through the European works councils, which aim to promote greater involvement of employees in the workplace.

### European works councils

European works councils (EWCs) have gently slipped into the legislation of countries across Europe under the Works Council Directive, which was first adopted in 1994. The councils were designed to enable more representation in the workplace in companies that operate in member states of the EU through wide use of information and consultation to involve employees in important company decisions. The Directive states that its purpose 'is to improve the right of employees in Community-scale undertakings and Community-scale groups of undertakings to be informed and consulted'.<sup>77</sup>

The Directive obliges employers of large companies (those with over 1,000 employees in at least two member states) to develop works councils as a tool to increase employee participation, providing employees with information about the company's situation as well as consulting employees on strategic decisions. Individual employees are represented by elected colleagues who take up places on the council.

Member states were given time and flexibility to integrate the EWC Directive into their

73. Auer, P. and Cazes, S. (2003), *Employment Stability in an Age of Flexibility*, International Labour Organisation. Quoted in Taylor, *Sweden's New Social Democratic Model*, p21.

74. Taylor, *Sweden's New Social Democratic Model*, p19.

75. *Ibid.*

76. *Ibid.*, p20.

77. Council Directive 94/45/EC.



own national legislation as they saw fit. This led to the creation and development of different arrangements for works councils in different member states – for example, Italian works councils have a different system of worker representation than French works councils.

### **Allianz**

German group Allianz is an example of effective development of works council. With over 100,000 employees worldwide, Allianz is one of the most prominent insurance and banking companies in the world. In 1996, the establishment of the Allianz European Committee (AEC) under the EWC Directive brought a range of measures to foster workplace democracy based on increased employees' rights to information and consultation.

Under the AEC, the Allianz Group held annual meetings for employee representatives to learn about and discuss the current situation and future challenges facing the company. Employee representatives are able to maintain constant communication with the central EWC office, providing easy communication channels for employees' concerns to be made known by management.

Worker participation mechanisms were developed further by Allianz in 2006 when the

company converted to a *Societas Europaea* (SE) after merging with the Italian company RAS. An SE is a transnational, public limited-liability company in the EU that must follow European Community regulations to ensure employees' participation. The Allianz SE Works Council has a combination of regional and country reps with supervisory boards in Germany and the UK; they meet semi-annually to exercise their rights to negotiate and be informed.

This example of co-determination and workplace democracy through the use of works councils illustrates the possibility of involving employees effectively, even in large organisations that straddle national borders.

However, not all companies in the EU to which the Works Council Directive is applicable have made progress towards developing formal information and consultation frameworks. The European Trade Union Confederation (ETUC) reported this year that of the estimated 2,204 companies covered under the EWC Directive, only 772 actually had operating works councils.

The difficulties in implementing and establishing a commitment to a democratic workplace are now explored through a number of short case studies.

# VI

## Winning through democracy: case studies on workplace democracy

### BT and European works councils

BT has grown from an offshoot of the post office to become a world leader in communications. Today BT operates in 170 countries worldwide and employs 104,000 people from engineering, customer service to software development. In the UK alone BT employs 93,000 people and manages 21 million customers undertaking 12 million transactions every day.

The overwhelming majority of workers are union members, belonging to either the Communication Workers Union (CWU; front-line workers) or Connect (managers and professionals).

The way people communicate is constantly changing – communication is no longer just about picking up a telephone. For BT, survival in a constantly developing industry is only possible if operations can adapt to industry demands by pioneering and securing operations in adjacent businesses, like broadband and software development, and reconfiguring their workforce accordingly.

Following the burst of the dotcom bubble in the late 1990s, questions over the viability of BT's operations in Europe were raised in the UK and the company faced calls to jettison entirely their European operations. BT placed great importance on getting information to employees in Europe and consulting them as part of the process of putting together a strategy for the future of European operations – considering which bits were to be sold-off or merged and what resources would be needed, including staffing. BT had mechanisms in place for the election and functioning of works councils over 18 months before the legislation was passed requiring it.

BT employees elect representatives to a national works council either directly or through the recognised unions. National works councils discuss matters affecting the operation specifically in their own country. Employees in each European country also elect representatives to the BT European Consultative Committee (BTECC), a works council operating on a Europe-wide level. The BTECC tackles issues on a strategic level, considering questions of what the company will look like in the mid and long term and the issues this would raise for resources and re-skilling. National works councils work out how best to implement the decisions and principles outlined at the BTECC according to their individual circumstances.

Central to the functioning of works councils are employee relations managers in each country. Employee relations managers process information about the challenges and circumstances facing BT operations and plan the most effective way of providing information to and consulting employees. This is of particular importance when BT needs to consult on information that if released could affect the operation of the business.

A key principle for BT is that the BTECC and work councils are included as part of the decision-making process, and are not in existence just to rubber-stamp changes. Effective information and consultation procedures have meant that employees have an honest and realistic picture of the circumstances and challenges the company faces and are able to contribute to decisions affecting the future structure and operation of the company. The information and consultation arrangements have enabled employees to have a say in re-skilling programmes and to take

decisions about their future with genuine options on the table for them.

BT's experience is that the effectiveness of information and consultation arrangements depends on both managerial and employee commitment.

BT's CEO has a history of working in works councils and understands the benefit effective workplace democracy can bring. He spends time talking to the BTECC and works councils and opens channels for employees to contact him directly. BT has worked with a trade union to provide training to its managers on information and consultation methods and importance.

BT's experience is that the efficacy of information and consultation arrangements very much depends on staff taking up the idea and working at it – building good working relationships with counterpart reps, other employees and management – as well as commitment from management.

BT says that the difference in activity levels of works councils across European countries is indicative of different national approaches to information and consultation, as well as the nature of the challenges being faced. In countries where BT has (or had) smaller or embryonic operations, interest in works councils and representation is low compared with countries that have bigger BT employee numbers and wider, more established operations. BT noted that different situations affect different countries in different ways; similarly, BT operations work within different challenges, customs and legal frameworks from country to country. It is for this reason that BT continues to make sure that strong information and consultation mechanisms are in place in individual countries as well as to make effective use of the over-arching European-wide committee.

Importantly, BT noted that staff interest in and commitment to works councils has been spurred on by the presence of active and organising trade unions. Currently Italian trade unions are working with BT employees in Italy to build the works council.

Managers at BT see information and consultation as a key component of the company's corporate social responsibility programme and as an investment not a cost. BT believes that involving employees in decision making has enabled the company to respond more effectively

to industry demands, as well as to enhance their reputation with present and future clients.

## EDF

EDF is the French-owned, former state-run utilities company that operates in the UK as EDF Energy. Here it bought London Electricity from the Americans and then Seaboard and Eastern Electricity and now covers most of the southern half of England.

Being a French-based company – and therefore steeped in the politics of a social Europe – and formerly state owned, the company is culturally sympathetic to workplace democracy and has an EU-wide works council. French workers are consulted at a very early stage on all issues that relate to them; they are provided with lots of information about the company's performance. Having access to information before decisions are made by management is essential if the workers' voice is to have any impact. The unions bring in accountants and other experts to help them understand the information and determine their response.

UK unions, including Prospect, Unite and the GMB, were therefore pushing at something of an open door when they started to structure a UK works council around three years ago. It was based on the agreement for the EU works council. The EU body itself had helped design and negotiate a global agreement on CSR for EDF as a joint management-worker initiative, which all the union have signed up to. Even the monitoring of the agreement involves the unions.

In the UK there have been factors that have both hindered and helped the establishment of the new works council. The unions have found it hard to reach agreement on the allocation of seats around the table and in particular whether they should be allocated pro rata, according to the union's membership strength. This issue is still to be resolved and means the Council operates more informally, through a secretariat. EDF has insisted on there being non-union representatives on the Council and four places have been taken from directly elected EU Council members. In addition, although workplace democracy is accepted and supported at the top of the company, there is a cultural lag as the US system of the 'right to manage' still dominates many aspects of the business and will take time to shift.

But after US ownership of London Electricity, which saw the fragmentation of the business,

personal contracts and cost cutting, EDF is keen to reintegrate the company. The US management had effectively banned unions from call centre operations and relations with the unions in general were not good. But EDF wanted to prove to their workers in France and elsewhere that energy liberalisation doesn't necessarily harm the interests of the workers. As the UK has taken a lead on energy liberalisation the management felt it was important they were seen to treat British workers well. So the unions have made considerable headway in terms of recognition in calls centres, and 350 professionals and managers have moved back onto collective terms from individual personal contracts.

Overall the works council is part of a process of prioritising integration over fragmentation. It provides feedback on the company's accounts and developing approaches to working time and drugs and alcohol policies. In the future they will be dealing with the further harmonisation of terms and conditions and wider collective bargain issues.

### Macmillan

Macmillan is a global publishing company employing over 1,300 people in the UK at sites in London, Oxford, Basingstoke and Swansea.

Managers at Macmillan maintain there have been formal staff consultation arrangements in place for over three decades but trade union Amicus, representing publishing and warehouse staff employed at different Macmillan sites, argued, according to Tony Burke, Assistant General Secretary, that existing arrangements were not sufficient and that Macmillan had 'not entered into the spirit of the [information and consultation] legislation'. Under the Information and Consultation Regulations, employees have a limited amount of time to request negotiations on processes for information and consultation. If pre-existing agreements are confirmed, that is if employees agree that arrangements for information and consultation are already sufficient, 40 per cent of the workforce must call for reform in order for the arrangements to be challenged at a later time.

After negotiations with Macmillan broke down, in November 2005 Amicus lodged a complaint with the Central Arbitration Committee (CAC), set up under the Information and Consultation Regulations to step in when

employers and employees cannot reach voluntary agreement on information and consultation frameworks; it has lodged a further two complaints since. All three complaints were upheld by the CAC.

The first CAC ruling gave workers in Swansea collective bargaining rights in an attempt to persuade Macmillan to negotiate a voluntary agreement on information and consultation with employees. During this campaign, membership of Amicus among Macmillan employees in Swansea rose from 2 to 147. The second ruling forced Macmillan to establish an employee-elected information and consultation body; the third ruled that the company had failed adequately to respond to a request for negotiations for a new information and consultation framework from Amicus.

Despite these favourable rulings, employees remained frustrated at the lack of progress towards negotiations for new frameworks for information and consultation. In July 2007 Amicus representatives took their case to the Employment Appeals Tribunal, which took 20 minutes to rule that Macmillan had failed in their obligation to implement the Information and Consultation Regulations and fined the company £55,000.

Macmillan has not been the only target in this sector for Amicus-led campaigns for proper and effective implementation of legislation relating to information and consultation. Amicus is in discussions with other large companies in the printing and paper industry and has brokered an agreement with the British Printing Industries Federation.

This case demonstrates the legal recourse that employees have when they are not satisfied with their employer's implementation of the Information and Consultation Regulations. It also shows how crucial a union's role can be in mobilising employees to demand fulfilment of their rights collectively and also in providing the organisation and legal resources necessary to make use of legal recourse available. The continued lack of action by Macmillan casts doubt over the weight legal decisions have. In particular, employees felt that the fine of £55,000 attached to the Employment Appeals Tribunal decision that Macmillan was not fulfilling its obligations was not a sufficient deterrent to a global company.

# VII

## What is to be done?

Extending democratic principles to workplaces across the UK is a vast and potentially daunting project. To date the issue has barely been on the political or union radar. But things should and could change quickly. This report has attempted to argue not just that there are instrumental and intrinsic benefits to be gained from extending workplace democracy but that the spirit of the age, defined by growing demands for autonomy and consent, coupled with the competitive demand for greater flexibility, suggest a rich vein for the workplace democracy agenda in the future.

As ever the issue will boil down to hard political choices. Does Britain respond with forced flexibility or constructive flexibility based on workplace democracy? Politicians tend to take the path of least resistance and, encouragingly, there is growing evidence that the tide is turning towards a context that could favour a renewed interest in workplace democracy.

The contributions from a younger generation of Labour politicians such as Natascha Engel, Ed Balls and Kitty Ussher, with Balls calling for 'a new deal for people at work' is testament to this development.<sup>78</sup> With the 'choice' and 'empowerment' agenda already occupying a central position among members of both major UK political parties, and the democratisation and decentralisation of the public realm becoming progressively important political and social issues, hierarchical workplace practices look increasingly anachronistic in the modern globalised economy.

To further this process it is essential to develop and sustain the intellectual case for the extension of democratic principles to the workplace, but it is only through concerted action by a variety of agents that the democra-

tisation of the economic sphere can be achieved. In short, argument and rhetoric must be accompanied by practical policy development and implementation. Government clearly has a central role to play in this process.

First, government can show sustained public support for the principles of workplace democracy and exhort good corporate practice wherever possible. By lending its considerable moral and political authority, government can ensure that workplace democracy not only returns to the political agenda but that it is guaranteed serious parliamentary consideration. Furthermore, by identifying and extolling the virtues of those who already adopt good employment practices, government can provide a powerful incentive for other businesses to follow suit.

Coats has thus called on government to promote democratic workplace practices with 'enthusiasm'.<sup>79</sup> But this should be the minimum we expect. Government can and must go further, and should start by putting its own house in order.

The government employs hundreds of thousands of UK citizens; if it is to promote workplace democracy effectively, then it is imperative that its own employment practices are beyond reproach. Accusations of hypocrisy on this issue would not only further reduce public trust in government but also fatally undermine the government's case for implementing a wide-ranging extension of democratic principles to the workplace. Government departments and the wider public sector must become repositories of best practice with hierarchy and domination replaced by autonomy and equality. Indeed, the growing interest in the 'co-production' of public services through the frontline interac-

78. Ippr Ref (ZW to do).

79. Coats, 'No going back to the 1970s?', p7.

tion of producers and users will demand at some stage the democratisation of these relationships.

This would indeed be a major step for government to take, but it is not *all* government can do to encourage the dissemination of democratic principles to the workplace.

During their decade in power, New Labour have been prolific legislators and orchestrators of innumerable initiatives and strategies. They have, however, been somewhat reluctant to introduce far-reaching and meaningful action on workplace organisation. Legislation such as the European Social Chapter (1997), the Employment Relations Act (1999), the EU Information and Consultation Directive (2001) and the much-trumpeted Warwick Agreement (2004) are long overdue and warmly welcomed, but (with the possible exception of the Social Chapter) the government has failed to implement this legislation with sufficient vigour.

It is now the role that information and consultation regulations have to play that must be vigorously pursued, as they provide an adequate legislative framework for workplace democracy but need to be toughened up and made easier to implement. Workers and their representatives need the resources to get through the legal and negotiating minefield of the regulations, and companies need to fear the sanction of meaningful fines if they fail to obey the letter and spirit of the law.

This is not to say that legislation alone can create a lasting foundation for a wide-ranging programme of workplace democracy. ‘The legal right to consultation’, as Noon reminds us, ‘does not lead to *effective* consultation’ (emphasis added).<sup>80</sup> Indeed, in *Democracy in the Public Realm* Compass emphasised that ‘it is impossible to legislate high quality jobs into existence, require that all workers trust their employers or guarantee that all managers are able to make the best use out of a highly skilled, well-motivated workforce’.<sup>81</sup>

Regulation is a necessary but insufficient step. Legislation not only provides minimum standards and safeguards for workers but it can also help focus the mind. It is through regulation that employers are compelled to modify their management style, that employees are made aware of their rights as

citizens in the workplace, and that wider society is reassured that the government values the liberal principles of freedom, equality and democracy. In short, legislation changes behaviour and opinion. If there is a minimum amount paid for wages, can the ICE Regulations ensure a minimum amount of democracy in the workplace?

‘Companies need to fear the sanction of meaningful fines if they fail to obey the letter and spirit of the law.’

The government should seriously consider allocating public money to train and resource workplace representatives. Financial assistance is already provided to independent trade unions and their federations through the BERR’s Trade Union Modernisation Fund, but consideration should be given to extending this provision significantly and explicitly for workplace democracy representatives. There is a clear public interest in ensuring that workplace representatives are skilled, knowledgeable and trusted by employers. Weak workplace representation can fatally undermine effective democratic institutions and therefore warrants government attention.

It would not be an unreasonable expectation that if the right arguments are made and support is built, the government itself would be committed to a review of workplace democracy to test the boundaries for legal and regulatory support for the concept. It could, at the very least, fully examine the comparative experiences of workplace democracy through a tripartite commission of experts, managers and trade unionists in the same way that pay and structure were dealt with in the NHS through the much respected Agenda for Change initiative.

But the flourishing of workplace democracy cannot be the sole responsibility of government. Indeed, far from it. Democracy at every level and in every way is something that has to be struggled and fought for. And given the way in which the issue is likely to be contested by at least some employers and their representatives in the media and elsewhere, the

80. Noon, P. in Coats, *Towards A Europeanisation of Industrial Relations*, pp10–11.

81. Shah and Goss, *Democracy in the Public Realm*, p70.

establishment of the conditions for workplace democracy would seem to be classic territory for progressives outside parliament to build, establish and maintain a consensus. If such a progressive consensus is established then the hope and expectation would be that the government moves into the space and bolsters it through regulatory, legal and moral backing. But it will be the actions of unions, academics, progressive employers and sections of the media and politicians outside the executive that will determine whether momentum can be gained.

Surveys show that with an increasingly skilled and qualified workforce competing in a more open employment market, employees are able to attribute greater importance to questions of work–life balance and workplace organisation.<sup>82</sup> Power dynamics are shifting; employees are no longer content with ‘any old job’ and employers are increasingly aware of the value of having high-quality staff. But relying on prevailing employment trends to bring about increased workplace democracy is patently insufficient. Workers need to show courage and persistence, pushing and prodding employers, trade unions and government wherever possible but within the legisla-

tive framework set out by stronger information and consultation regulations.

There are thus numerous obstacles and pitfalls facing proponents of a wide-ranging extension of democratic principles to the workplace. But these hurdles are not insurmountable.

For more than two decades workplace democracy has either been pilloried or ignored in equal measure. But as New Labour embarks on its own programme for renewal they have a valuable opportunity to put workplace democracy at the centre of a progressive political programme.

The stakes are too high, the costs of inaction are too substantial and the potential gains are too vast to ignore workplace democracy for any longer. If Tony Blair can argue that it is ‘time to put work back at the centre of the political debate’ then it is up to us to ensure that Gordon Brown has the ideas, policies and support to make it happen.<sup>83</sup>

The final word goes to the Harvard philosopher Peter Koestenbaum, who states that ‘institutions are transformed the moment we decide they are ours to create’.<sup>84</sup> It is the transformation of our experience of work to which we must now aspire.

82. Bevan, *Ethical Employee*, pp7–26.

83. Blair, ‘Our Nation’s Future’.

84. Peter Koestenbaum, *Freedom and Accountability at Work*, Jossey Wiley, 2003.

# About Compass

Compass is the democratic left pressure group whose goal is both to debate and develop the ideas for a more equal and democratic society, then campaign and organise to help ensure they become reality. We organise regular events and conferences that provide real space to discuss policy, we produce thought-provoking pamphlets, and we encourage debate through online discussions on our website. We campaign, take positions and lead the debate on key issues facing the democratic left. We're developing a coherent and strong voice for those that believe in greater equality and democracy as the means to achieve radical social change.

We are:

- An umbrella grouping of the progressive left whose sum is greater than its parts.
- A strategic political voice – unlike thinktanks and single-issue pressure groups Compass can develop a politically coherent position based on the values of equality and democracy.
- An organising force – Compass recognises that ideas need to be organised for, and will seek to recruit, mobilise and encourage to be active a membership across the UK to work in pursuit of greater equality and democracy.
- A pressure group focused on changing Labour – but Compass recognises that energy and ideas can come from outside the party, not least from the 200,000 who have left since 1997.
- The central belief of Compass is that things will only change when people believe they can and must make a difference themselves. In the words of Gandhi, 'Be the change you wish to see in the world'.

**Compass**

**FREEPOST LON15823**

**London**

**E9 5BR**

**t: 020 7463 0633**

**e: [info@compassonline.org.uk](mailto:info@compassonline.org.uk)**

**w: [www.compassonline.org.uk](http://www.compassonline.org.uk)**

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# Join today and you can help change the world of tomorrow

Please contribute generously. Compass is funded solely by organisations and individuals that support our aim of greater equality and democracy. We rely heavily on individual members for funding. Minimum joining rates are suggested below. To join, simply complete and return this form to Compass, **FREEPOST LON15823, London, E9 5BR**. Paying by Standing Order or Paypal means we have a regular income to count on, consequently we are offering new members a discount for paying their membership in this way. To join by Paypal you will need to go to the Join Us section of the Compass website at [www.compassonline.org.uk/join.asp](http://www.compassonline.org.uk/join.asp).

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