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United Nations Industrial Development Organization

Distr.  
GENERAL

ID/CONF.1/G.72\*  
7 July 1967

ENGLISH ONLY

INTERNATIONAL SYMPOSIUM ON INDUSTRIAL DEVELOPMENT  
Athens, 29 November - 20 December 1967  
Provisional agenda, Item 3 (c)

THE ROLE OF TRADE UNIONS IN INDUSTRIAL DEVELOPMENT 1/

Prepared by

Gus Edgren

The Central Organisation of Salaried Employees (TCO), Sweden

Submitted by the Government of Sweden

D01840

\* A summary of this paper has been issued under the same title as document ID/CONF.1/G.72 SUMMARY, in English, French, Spanish and Russian.

1/ This document was written upon request of the Swedish Preparatory Group for the International Symposium on Industrial Development and submitted by the Swedish Government. The views and opinions expressed are those of the author and do not necessarily reflect the views of the Swedish Government.



Distr.  
GENERAL

ID/CONF.1/G.72 SUMMARY\*  
10 July 1967

ORIGINAL : ENGLISH

United Nations Industrial Development Organization

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**THE ROLE OF TRADE UNIONS IN INDUSTRIAL DEVELOPMENT**

**SUMMARY**

by

Gus Edgren

The Central Organization of Salaried Employees (TCO), Sweden

Submitted by the Government of Sweden<sup>1/</sup>

\* This is a summary of a paper issued under the same title, as document ID/CONF.1/G.72

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We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

1. The present paper poses the question what responsibilities and encouragement should be given to trade unions in developing countries in order to make them willing and able to offer a constructive contribution to the industrial development of their countries. Points of departure for the analysis will be some of the most important trade union functions, such as organization building, collective bargaining, grievance handling, implementing union wages policy, initiating and administration of social, co-operative and educational services and, finally, participation in drawing up and implementing a national plan for economic development. Particular attention is paid to issues which may cause conflicts of interest among unions, management and Government.
2. One condition for positive and constructive contributions from the union movement is naturally that the organizational units are built and administered in a way which meets the requirements of a dynamic industrial society. Too often, however, political, religious, ethnic or other divisions within developing nations raise obstacles in the path of building such organizations. No universal solution to this problem could be found, but it is suggested that the lasting solutions will be those based on persuasion rather than on force. Government could encourage union building by promoting in various ways the establishment of an industrial relations system where representative union bodies are given a clearly defined role. Support should also be given to establishing borderline agreements, codes of inter-union conduct and joint committees of trade unions, measures that may represent the first steps in the long but necessary amalgamation process.
3. The industrial relations system could be built on either collective agreement, legislation or a combination of both. In contrast to paternalistic attitudes, which are common in employers of developing countries, the system should define the rights and responsibilities of both parties on the basis of equality and respect. It is particularly important to industrial peace and co-operation that definite procedures be laid down for union recognition and for handling grievances within the establishment.

To facilitate the introduction of new methods of production without dangerous clashes of interest, it might also be in the interest of both parties to regulate, by collective agreement, the procedures for job transfers, layoffs, hiring and recruitment. Because of the great disparity in bargaining power between the parties, however, union interests in this field may sometimes have to be protected by legislative measures.

4. Apart from promoting good industrial relations and higher productivity in the industrial enterprises this co-operation will also enable the unions to play a vital role in the social development of the emerging industrial communities. For many workers of developing countries, industrial employment entails unfamiliar problems of subordination and discipline as well as the disruption of family relations and traditional values. Trade union organizations provide a frame-work for new social relationships and values and give the members a feeling of security, mutual belonging and participation in the industrialized society at the same time as they represent a legitimate outlet for protest.

5. In the eyes of union members, the chief role of the movement is to press for improved standards of remuneration and for equitable income differentials between different groups. A number of factors decide whether or not the wage policy adopted by a certain union will have a favourable effect on the progress and direction of industrialization. Some of the most important ones are the level and rise of productivity, international competition, the national structure of incomes and employment and Government policy in the fields of taxation and economic development planning.

6. The aims of unions, employers and Governments are interdependent in the sense that the wage policy of one party affects, directly or indirectly, the conditions for the policy of the other parties. In developing countries, where the role of Government must include a very wide range of responsibilities, it may prove feasible

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to join the three parties in discussions on the principles of a possible national wages policy. This would be particularly useful in countries which have engaged in comprehensive development planning. In order to avoid exploitation of labour and unfair competition between employers, it may also be in the interest of all parties to legislate strong codes prohibiting unfair labour practices and establishing minimum wage standards.

7. The living standards of union members may also be considerably improved by means of various co-operative development projects. Being indigenous institutions with their roots in the traditional society, trade unions are particularly well suited to finding ways of activating production and savings even in the rural sector and may thus contribute to establishing the missing link between the urban and the rural economies. Examples of suitable fields for trade union co-operative activities are distribution, transport, catering, housing and credit. The membership of union co-operatives need not be limited to union members but could also include family members, farmers, unions etc. Contributions of a similar nature are made in the fields of social security, health and recreation services. Of particular importance in this connexion is the trade union education work which also serves the purpose of promoting the spirit and unity of the movement. A growing number of unions in developing countries also engage in running vocational training programmes which are of extreme importance for the employment of both skilled and unskilled workers.

8. All such institutions represent pioneering achievements which will promote a stable and productive labour force at the same time as they help the workers adjust to the new and unfamiliar environment of an industrial society. Since very few unions in developing countries are well enough equipped to cope with more than the day-to-day matters of administration and collective bargaining, it may be necessary for Governments and international organizations to encourage and support co-operative and social development programmes by providing a substantial amount of loans, training and advice.

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9. However, the most valuable contribution to the cause of economic development that the trade union movement could offer consists in the political thrust and spirit of nation-building, an element which is necessary to produce an all-out effort by the members of the entire community. This motivation is not so easily created, a fact which has been illustrated in a number of developing countries by more or less serious clashes between Governments and union movements. It is often a lengthy and cumbersome process which requires that Government and union leaders demonstrate considerable patience and mutual respect.

10. A forum for such discussions has been created in a number of developing countries by way of consultative committees for development planning. To the union leaders, these committees offer an opportunity to get acquainted with the whole range of problems involved in economic development and to let the planners know the views of organized labour on matters related to manpower planning, income distribution, prices etc. To Government, the committees represent an avenue for gaining, through the union leaders, widespread popular support for the objectives of the development plans. These effects will only be achieved, however, if planners pay particular attention to labour matters and if sufficient time and effort are spent on the important task of explaining the complex relationships of economic growth to the layman representatives in the planning committees.

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### Introduction

1. The principal functions of a trade union organization are to protect the economic and social interests of its members and to work for the improvement of their standards of living through collective bargaining with employers and through organized pressure on the government and other institutions in society. Promoting new industries and increasing the productivity of existing ones are not primary tasks for the union movement, and thus it is common to regard the unions as a result of industrial development rather than as an active force in the industrialization process. Both indirectly and directly, however, the activities of trade unions have far-reaching effects on the pace and direction of industrialization. Indirectly, the pressure for higher living standards among the workers affects industrialization through its effect on production costs as well as through the growth of consumer markets. It is also an element in the social developments and adjustments prerequisite to harmonious economic development. Directly, the unions may influence the course of industrialization by preparing a psychological and political basis for increased production; in some countries, they may even be able to contribute to development by starting enterprises of their own.

2. The purpose of this paper is to discuss some of the most important effects which the existence and activities of trade unions will have on the industrialization process. The focus of the discussion will be the question: what responsibilities and encouragement should be given to trade unions in developing countries in order to make them willing and able to offer a constructive contribution to the industrial development of their countries? Particular attention will be paid to issues which may cause conflicts of interest among unions, management and government. The trade union functions that will be discussed are union organizing, grievance handling and negotiations at the plant level, wage policy, co-operative development and educational and political activities.

### Trade Union Structure

3. One condition for positive and constructive contributions from the union movement to industrial development is that the organizational units are built and administered in a way which meets the requirements of a dynamic industrial society. Inefficient administration and lack of organizational discipline are common problems in the early stages of union building (the effects of these shortcomings on various fields of union activity will be dealt with in other sections of the present paper). Obstacles of similar importance will in a number of developing countries be caused by a union structure which allows too much competition and rivalry among different unions within the same enterprise or makes it difficult to develop a common national union policy on such matters as wages and conditions of work.
  
4. Organizational weakness due to inter-union rivalry or extreme decentralization of decision-making are difficulties that are well-known from a number of industrialized countries. Conflicting principles of organization, such as craft unions versus industrial unions, or religious and political differences, have sometimes made it more difficult to build up an efficient industrial relations machinery. In a great number of developing countries, however, the problem of trade union structure still represents a decisive obstacle in the path of creating good relations between labour on one hand and management and government on the other. Political, ethnic, religious and social divisions within the population are sharply reflected in fragmentation of the trade union movements. In addition, many of the national federations are made up of autonomous enterprise unions, the membership of which is confined to one industrial concern or establishment.
  
5. As a consequence of these divisions, inter-union conflict may arise over such issues as recruitment and job allocation, wage differentials etc. Competition between different unions within the same enterprise may force up wage claims above what is realistic and make it difficult to introduce new methods of production. Lack of co-ordination of union efforts will enhance existing differences in wages and working conditions in the country and dilute union contribution to national economic planning.
  
6. It is often tempting for employers and governments to react to such actual or potential impediments to industrial progress by using strong-arm methods designed to break or control the unions. Often inter-union disputes have caused governments to introduce restrictions on the freedom to organize or have been used as an excuse to

impose such limitations. The problems underlying the disputes will not be solved, however, by measures aiming to suppress the symptoms. Very often such solutions will give rise to frustration and protest that may eventually find other and more violent outlets. In the long run, therefore, the lasting solution will be one based on persuasion and mutual consent rather than on force.

7. How a structural reform of the trade union movement is to be encouraged is a delicate matter, and it is quite evident that there is no universal solution to be found. One necessary condition is a purposeful industrial relations machinery, in which unions are given their proper responsibility. In exercising this responsibility, union leaders will better appreciate the advantages of co-operation within the movement. Possible ways of encouraging structural reforms are represented by government mediation and by the services of international organizations. In not a few cases, encouragement along these lines has produced such results as borderline agreements, codes of inter-union conduct and joint trade union committees on matters of common interest, measures that may be introduced as a first step in the long but necessary amalgamation process. Experience has also shown the usefulness of legislation making recognition of a union compulsory for the employer once a certain number of union followers have been enlisted.

#### Labour-management relations at the plant level

8. One of the most important functions of the union movement in the process of industrial development is to help the workers in their adjustment to industrial life. For many members of the growing working class of developing countries, industrial employment entails not only new functions, new environment and unfamiliar problems of subordination and discipline but also the disruption of social ties with family and relatives, and of traditional values and codes of behaviour. The trade union organisations provide a frame-work for new social relationships and values, a frame-work which is uniquely suited to giving the members a feeling of security, mutual belonging and participation in the industrialized society.

9. Before any trade unions emerged, some of these functions may have been fulfilled by tribal or religious groupings, as has been the case in the mining and plantation industries of some African countries. But those groupings were soon considered to be insufficient as instruments for organized protest against unacceptable working conditions and for improving the living standards of the members. Full

adjustment to industrial life evidently required an organizational frame-work which gave room for other than merely social and beneficial functions.

10. To facilitate finding compromise solutions that are acceptable to both sides of industry, some sort of industrial relations machinery has to be established at the plant or establishment level. The machinery consists of agreed procedures for dealing with matters under dispute and usually of an enumeration of items which may or may not be made subject to negotiations. If the machinery is to result in a positive contribution to industrial development on the part of the unions, the two parties should negotiate on an equal footing, and the agreements should be scrupulously respected. These two conditions, however, are too often far from fulfilled.

11. One aspect of local union-management relations of particular importance in the context of industrial development is the settlement of disputes with supervisors about such present matters as the interpretation of rules or contracts, the fixing of standard tasks and maintenance of discipline. It is not uncommon in developing countries that occasional grievances of this type cause a greater over-all loss of man-days due to strikes than is caused by disagreements in the process of collective bargaining. Even in countries where the right to strike has been restricted, spontaneous work stoppages may still be sparked off by local grievances.

12. There are many reasons for these imperfections in industrial relations at the plant level. The most important one is usually the lack of experience and tact on both sides of industry in handling these often very delicate matters. Even though union leaders may have to bear their part of the responsibility for calling the workers to strike, it must be noted that when it comes to human relations, supervisory standards are often abysmally low. No attempts are made by management to draw up a consistent personnel policy, let alone to make it known and accepted by the employees. This negligence, together with a persistent paternalistic management attitude towards the workers, represents a serious impediment to progress in developing countries. In the words of the Director-General of the ILO, "paternalistic attitudes on the part of management, together with inability or reluctance to understand the human and personnel aspects of industrial management, may well serve to aggravate the resistance of workers to the industrial environment and lead

to expressions of protest against discipline and working conditions."<sup>(1)</sup>

13. To remedy these defects, both union and management officials at all levels must be trained in the technique and spirit of handling industrial relations in the enterprise. In some cases, the formation of employers' organizations has brought about more uniform and consistent personnel policies, particularly in medium-scale and smaller enterprises, but such organizations are naturally no guarantee of improved relations between unions and management. Government labour officers could also be helpful in certain circumstances in bringing about improved relations. Finally, procedures for handling grievances should be regulated by agreement between union and management, specifying which officials should be responsible for adjudicating the grievance and the time limit within which a decision has to be taken or the complaint has to be referred to the next higher level. An important standard-setting work in this field has been initiated by the ILO through the preparation of two recommendations on the examination of grievances and communications within the undertaking. It should be noted, however, that even where such grievance procedures have been established, strikes may still occur because the different steps in the procedure have been too vaguely described or the time limits are too distant.

14. Union-management co-operation in matters of personnel policy is particularly vital to the industrialization process when it comes to introducing new methods of production. Reference has already been made to the case where inter-union conflicts raise obstacles in the way of transferring jobs or tasks from one group of workers to another. Widely known incidents of this type have occurred, e.g. in the Zambian mining industry, where the European mine workers union for a long time resisted management efforts to break down skilled jobs and hand them over to African workers. Resistance to the introduction of new methods is naturally particularly strong when these methods lead to increased unemployment. The protracted and wide-spread strikes in the Indian textile industry in 1955-56 could be cited as an example of such problems. In this case, moreover, the rationalization efforts were strongly backed by government.

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(1)

Report of the Director-General to the 50th session, Part I,  
Industrialization and Labour, p. 63

15. In many industrialized countries, the risks of such disturbances have been gradually reduced over the years by means of agreed procedures for hiring and firing, transfer and retraining of workers etc. In the USA, for instance, collective agreements based on seniority rules very often lay down procedures for promotions and lay-offs. In Scandinavia, on the other hand, where unemployment is no serious problem, procedures for work-studies, piece-rate fixing and other rationalization methods have been given greater attention in the collective agreements.

16. It is difficult to make such agreements work in countries where unemployment is rampant and both unions and management lack the necessary skills in handling industrial relations. The advice of government labour officers or of experts from international organizations may sometimes be necessary for bringing the two sides of industry together in a compromise solution to these problems. Employers and liberal economists generally object to legislation, limiting the right of the employer to freely recruit and discharge labour, but there is evidence which suggests that such measures may be beneficial in developing countries, compelling the employers to select and train their workers more carefully and also reducing a bit the disparity in bargaining power between the two parties.<sup>(2)</sup>

#### Union wage policy and development

17. In the eyes of most union members, the chief role of the union movement is to press for improved standards of remuneration. Trade union wage policy has two aims: first to secure as large a share as possible of the national product, and second to divide this share among the members in a way which can be regarded as equitable. The outcome of the unions' efforts to achieve these ends may affect the progress and direction of industrial development in different ways, depending on the conditions existing in the particular country at the given point of time. In the following discussion of how these different factors ought to be taken into account by unions, employers and government, the two aims of raising the general wage level and of creating an equitable wage structure will be dealt with separately.

18. It is obvious that the objective of raising the general wage level is not in conflict with the goal of economic development. Indeed, the ultimate aim of develop-

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(2)

See for instance Frederick H. Harbison's conclusions on Egypt in Galenson, Labor and Economic Development, p. 182, New York (1959)

ment efforts undertaken by most governments is to improve the standard of living of the population. Increased capacity to consume among wide layers of the people is necessary both for maintaining social harmony and for creating markets which can provide a basis for further economic expansion. Too great disparities in the distribution of income between those who own the means of production and those who are employed may put a brake on economic development, as has been the case for example in some of the Latin American countries.

19. But it is also clear that there are limits beyond which wage increases may become such a burden to production that they create an impediment to industrialization. Since industrial product prices in developing countries are mainly determined by international competition, excessive wage increases may either price the local producers out of the markets or reduce the capacity for further investment. Moreover, if labour costs per unit of production increase faster than unit capital costs, there will be an incentive for employers to substitute machinery for labour. In countries where labour is abundant and capital scarce, this may mean a wasteful use of the national resources, and thus be contrary to the objectives of balanced economic growth.

20. In the context of national development planning, there is also a risk involved in letting the wages of the minority employed in the modern sector rise very far above the income level that exists in the traditional sector of the economy, i.e. in subsistence farming. Such discrepancies will ferment social unrest and dissatisfaction and result in increased migration from the countryside to urban unemployment areas. Development planners and politicians therefore often disapprove of a rate of wage increase which is higher than the growth of agricultural productivity.

21. The validity of these arguments against a rapid rate of wage increases varies from one country to the other. For instance, there are cases when capital owners spend their profits on imported luxury goods or transfer them abroad. In such a case, wage increases may reduce expatriation of profits and give an impetus to producers of local goods. If this effect is to spread throughout the whole economy, however, closer links must be created between the modern and the traditional sectors. This could be achieved by creating better marketing and distribution facilities for local agriculture (cf. paragraph 34) and by improving the competitiveness of local production in relation to imported goods.

22. Regardless of whether the money remains in the country or not, there is also the important aspect of equitability as far as the income distribution is concerned. No trade union leader could escape criticism from his members should the union renounce wage increases in a case where this would only serve to make a rich over-class even richer. An acceptable solution to such a dilemma might be achieved if government increased the profit tax and used the revenue for social and economic development schemes, but governments in developing countries often hesitate to introduce a taxation that may discourage foreign investors.

23. In cases where profits are not excessive, there may be reason to argue that wage increases should keep pace with productivity increases. As long as this condition is met, wage increases will generally neither reduce the international competitiveness nor encourage the use of an unduly capital-intensive technology. However, wage increases are often a stimulus towards rationalization and improved productivity, and great care must be taken so as not to lose this stimulus. Such factors as improved education and vocational training, stable conditions of employment, increased nutritional and housing standards, have proved to be decisive for the productivity of labour and it would be a dangerous mistake to assume that high productivity could be achieved at low wage levels. (3)

24. Regarding the income gap between farmers and workers, it should be noted that at least some income differential is necessary in order to induce workers not only to take up industrial employment, but also to sever their ties with farming. If these ties are not entirely disconnected, there will always be occasions, for instance during harvesting seasons, when it pays to return temporarily to farming. Another fact that must be taken into account is that settled life in an industrial society entails considerable expenditure on a number of items which are either free or undervalued in the subsistence sector, such as housing, transport, food, entertainment of relatives, etc. If the labour force is to commit itself permanently to industrial employment, it may thus be necessary to maintain an income differential which at face value appears to be quite wide.

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(3)

See for instance The Quality of Labour and Economic Development in Certain Countries, a preliminary study by Walter Galenson and Graham Pyatt, ILO, Geneva (1964)



25. When it comes to the question of wage structure, union wage policies are less uniform, varying with the structure of the movement, traditional and institutional factors, etc. From the point of view of industrialization, the objectives of wage differentiation could be described as allocation of sufficient numbers of people to all types of jobs, motivation of efforts and satisfaction and adjustment among all groups of employees.

26. In most developing countries skill differentials are considerably wider than those existing in industrialized countries, and union policy is often aimed at reducing those differentials. This policy is not necessarily contrary to the objective of recruiting qualified staff. In many developing countries, differentials between qualified and unskilled jobs have been inflated by acute shortages of educated manpower. In addition, in some countries a legacy from the "colonial wage structure" still provides an excessive bonus for functions which were originally performed by expatriate colonial servants. These differentials are often so excessive that they could very well be reduced considerably without any risk of discouraging recruitment.

27. Inter-industry or inter-enterprise differentials are also subject to levelling efforts from the unions, which argue that equal pay should be offered for equal work, regardless of the type of industry or the geographical region. Such equalizing efforts may encourage rationalization in the low-productive industries, but they may also cause temporary difficulties of the type described in the context of the general wage level, particularly in economically backward regions. On the other hand, however, if the unions should only be successful in raising wages in the larger industrial enterprises, in civil service or in companies belonging to the employers organizations, this would have serious consequences on the structure of industrialization and on the competitiveness of different industries. In order to avoid dual wage standards discriminating against large-scale enterprises or organized employers, it may be necessary for the government to help the unions by legislating strong codes prohibiting unfair labour practices and establishing minimum wage standards, or by extending through legislation the coverage of collective agreements to other than organized employers.

28. From the point of view of industrial development, it is desirable that the systems of payment be constructed in such a way as to encourage effort and productivity. This does not mean that payment must inevitably vary with output, but

rather that the systems should provide possibilities for wage increases or promotion to those employees who work hardest and most efficiently. A number of systems now in use offer insufficient incentives for individual or group efforts, for instance the job contracting system, used in some plantation and building industries. Here the job contractor acts as an agent between the enterprise and the worker. Other examples are payment systems which contain a long range of increments based on seniority rather than on skills and effort. Even a number of so-called incentive pay systems could be criticized for producing too little motivation among the employees. The way in which this motivation is to be created is a question which must be solved from case to case, taking into account the particular tasks concerned as well as the attitudes and patterns of behavior of the workers. Naturally it is the task of the trade unions together with employers to find a solution to this problem.

29. What has now been said indicates that a number of different factors decide whether or not the union wage policy will have a favourable effect on the progress and direction of industrialization. It is also clear that the aims and activities of unions, employers and governments are interdependent in the sense that the policy of one party will affect, directly or indirectly, the conditions for the wage policy of the other parties. This is true particularly in countries which have engaged in comprehensive development planning. In these countries the wage policy of unions may be decisive for the success of the development plans.

30. It is easy for politicians and development planners in such a case to leave wage increases out of the development plans and to ask union leaders in the interest of economic development to refrain from pressing wage claims. The case of the successful general strike in Nigeria in 1964 may be instructive as an example of what could happen if the aspirations of the workers are clamped down too brusquely; it resulted in a serious loss of prestige for the politicians and it changed the conditions for a development plan which had already been approved. An approach which is being tried in some countries and which may prove more fruitful in the long run is to join the three parties in discussions on the principles and conditions for a national wage policy. The talks should not aim in the first instance at reaching any binding agreement but should clarify the position taken by each party on a number of issues and enable them to foresee the reactions of the other parties to various measures taken in the process of collective bargaining, legislation or development planning.

Social and co-operative development

31. The objective of improving the standard of living of union members can be achieved in ways other than through negotiations with employers on wages, hours and working conditions. Both in industrialized and developing countries unions make substantial contributions to the economic development of their countries by producing, on their own or in collaboration with co-operative societies, goods and services which would not otherwise be available to the members. The instances of Israel and Scandinavia may be cited as particularly well-known examples of such co-operation.

32. A number of different motives may cause unions to engage in such activities. Monopolies or absence of local production may make certain goods or services unnecessarily expensive to the members. The political spirit of nation-building or the feeling that economic development is too slow to allow a satisfactory rate of wage increases are other factors which may evoke interest in co-operative development. Finally there is the desire to create new jobs and to elaborate show-piece personnel policies and production methods.

33. Consumer co-operatives are sometimes initiated by trade unions in mining or plantation townships where retail trade is in the hands of either the big companies or a cartel of local traders. Such co-operative ventures, which may include catering, transport and retail services, are relatively easy for the union to manage by itself. Quite often their membership is not restricted to wage earners but will also include such groups as co-operative farming societies.

34. More extensive activities may develop, particularly in the larger urban areas, and in such cases it may be more feasible for the co-operatives to form their own organizations, independently administered but still supported by the unions. In developing countries it may be necessary for those organizations to build up an entirely new network for purchasing, transport, storing and distribution in order to mobilize a local production potential which has so far not been well enough organized to compete with imported goods. In this way the unions may contribute to establishing the missing link between the rural and urban economies which was referred to in paragraph 21 and which is a necessary prerequisite for balanced development of both agriculture and industry.<sup>(4)</sup>

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(4)

Cf. Yair Levy, The Contribution of Co-operation and Trade Unionism to Improved Urban-Rural Relations, International Labour Review, vol.93, No.6, Geneva (June 1966)

35. Co-operative banks may prove technically too difficult even for a national confederation of unions to establish but there are examples of successful attempts, for instance the Ahmedabad Textile Workers' Union in India and the General Union of Tunisian Workers (UGTT) in Tunisia. In a number of other developing countries a beginning has been made by way of co-operative credit unions of varying sizes and levels of ambition. All these organizations represent avenues of mobilizing local savings, an objective which must be given high priority by all developing countries which do not wish to rely too heavily on foreign capital.

36. In the field of housing construction private enterprise in developing countries is often more interested in office buildings or luxury villas than in low-cost housing for workers. By relying on local building materials and to some extent also on organised self-help activities,<sup>(5)</sup> union housing construction co-operatives may cut production costs appreciably at the same time as they give a boost to local production and employment. Capital for projects of this type has in some cases been raised through co-operative savings funds, in other cases through loans or gifts, for instance from international trade union and co-operative organizations.

37. Very few examples have so far been attempted in developing countries in the field of trade union engagement in industrial manufacturing enterprise. Such ventures could be started at a very small scale, for example in connexion with other union-supported schemes in the fields of consumer co-operatives or vocational training. Other ways in which unions could participate directly in industrial management could be tried for example by letting the unions lease publicly-owned enterprises along lines similar to those tried in Yugoslavia. On the whole, however, governments in developing countries are rather conservative in managing their own companies, and few attempts are made to invite the unions to play the role of partners and owners rather than the traditional one of counterpart in an economic conflict of interests.

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(5)

Cf. Trade Unions and Housing in Africa, AFRO Research Bulletin, issued by the International Confederation of Free Trade Unions (ICFTU), Lagos (April 1965)

38. Important contributions to economic and social development are made both in industrialized and developing countries through social security systems, unemployment insurance and health and recreation services that are administered either by the unions or by unions and management jointly. Though developing countries may not be able to afford to offer such services to all their citizens, the institutions created by the unions represent pioneering achievements which will promote a stable and productive labour-force at the same time as they produce a fund of experience which can be consulted when new measures are being considered in the field of social legislation.

39. Another field where unions could make important contributions to development is that of vocational training. Public facilities for such training are usually underdimensioned in developing countries, and most of the workers are trained by the large companies. Insufficient numbers of skilled workers, technicians and supervisors will many times discourage the use of labour-intensive techniques, which often require rather large numbers of skilled personnel.<sup>(6)</sup> A high level of public vocational training, combined with continuous on-the-job training within the enterprises, is necessary in order to achieve an industrial growth rate which will expand employment at the same time as it allows both wages and capital accumulation to increase.

40. There are many instances of unions running or co-operating with governments and employers in the management of vocational training institutions. An advantage of such institutions as compared to the training provided by employers is that a broader range of skills may be included in the training than just those which are required in a particular job or enterprise. Another advantage is that training could also be given to workers employed in small-scale industries and to self-employed artisans, two groups which could play a vital role in the process of economic development.

41. It may be concluded that trade unions could act as very powerful instruments for mobilizing both material and human resources. Being indigenous institutions

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Cf. Gus Edgren, The Employment Problem in Tropical Africa, Inter-African Labour Institute Bulletin, Brazzaville (May 1965)

with their roots in the traditional society, they may be particularly well suited to finding ways of activating production and savings even in the rural sector. From within their ranks they will be able to bring forward the managerial talents necessary for all economic progress. Through the savings and devoted work of the union members within the co-operative movement what is paid out as wages in the modern sector of the economy will create new goods and services which will ultimately benefit all citizens. In performing these tasks, the union movement will also help the workers adjust to the new and unfamiliar institutions of an industrial society.

42. It is obvious, however, that a large proportion of the unions in developing countries are so ill-equipped and weak that they have great difficulties even in coping with present matters of administration and collective bargaining, let alone getting engaged in any co-operative development work. A certain amount of support in various ways will therefore be necessary if the unions are to be able to engage in co-operative development projects. This support could be of a direct material nature, such as government subsidies to cover the expenses of training programmes or loans and administrative assistance to co-operative societies. The most important method of direct support is generally that of training and instruction furnished by government co-operative officers as well as by international organizations.

43. Indirect support may also be required, for instance, legislation facilitating the establishment of trade union co-operatives. In some countries official support is given to the check-off system for collection of union dues in order to stabilize the financial basis of the movement. In other instances legislation prescribes that a certain portion of union income be devoted to welfare activities, co-operative development, etc. It is doubtful, however, whether such prescriptions will be instrumental in bringing about the desired development projects. Besides, union organizing and bargaining involves different amounts of overhead expenditure at different levels of union development in different industries, and a prescription of this nature will therefore distribute the burden of savings unevenly among different unions.

#### The political element of trade unionism

44. In practically all countries where trade unions have emerged, the spirit and unity of the movement have in part been derived from an element of political protest.

The unions have protested against economic and political privileges and called for universal suffrage, in colonial territories also for political independence. Some observers have expressed rather critical views on the persistent political pre-occupation of unions in developing countries, since this keeps the unions from efficiently performing their industrial role. But the political spirit is what gave rise to many union movements, and particularly in developing countries current political issues affect the situation of the individual worker in such a way that he would find it highly unnatural if his union were constantly to avoid taking a stand on political matters. This political spirit, if directed towards the goals of rapid economic progress and social harmony, should in fact be regarded as one of the most valuable elements of the union role in promoting development, contributing the thrust and motivation necessary to produce an all-out effort by the members of the entire community.

45. An important function in this connection is the educational work within the union movement. These activities, together with the practice of democratic principles of decision-making and modern methods of administration, represent a momentous contribution to the building of a unified and democratic basis for emerging nations. At the same time, trade union work and education will produce leaders and cadres who can also play a valuable political role outside the union movement, for instance in political parties, co-operatives, educational associations etc. Trade union educational work is at present carried out all over the world, and in developing countries it is supported by governments, international trade union organizations and by the ILO. Much of the organizational weakness of union movements in developing countries could be eliminated, if assistance to such educational activities could be increased.

46. For a government wishing to rally the support of the union movement for a programme of economic development, it is naturally most advantageous if the political thrust of the movement is not quenched but is instead directed by consensus of opinion towards an overriding national goal. There are many different procedures which can be used for seeking such a consensus, but in order to avoid misunderstandings and place both sides on equal footing, it is often wise to give the discussions a regular and systematic form. This is best done if the unions, together with other popular and business groups, are invited to participate in drawing up and implementing economic development plans. In a growing number of developing

countries, union representatives are sitting together with representatives of other interests in committees charged with the responsibility for drafting a development plan and its component parts. The experience gained in this work suggests the following remarks.

47. First, the unions should be invited to participate in planning at each successive stage of the process. In a number of cases the survey of national resources and the analysis of the conditions for growth have been carried out before the union leaders have been given a chance to present their views. If the outline of the plan is made known to the union representatives only at such an advanced stage that there are no alternatives other than accepting or rejecting the outline, it is more difficult to reach full acceptance and understanding. In countries where plans are not only indicative but are fully or partially implemented by political bodies, it is also desirable that the unions be represented even at the executive stage, both at the national and the local levels.

48. Second, economic planners should pay more attention to those aspects of economic progress which have an immediate bearing on employment, wages and social development. Such matters are very often regarded by planners as secondary effects of development rather than objectives or strategic determinants of development. The role of wages and social conditions in economic development should be discussed and illustrated, and different alternatives of development, aiming at different employment targets, should be elaborated in order to show the effects of different policies of investment, wages, taxation etc. At an early stage in the preparatory work a manpower plan should be drawn up in close consultation with the two sides of industry, and during the later stages in the development process the question of a national wages policy (see paragraph 30) could be discussed in the light of the knowledge gained during the discussions.

49. Third, and perhaps most important, the educational value of broad participation in development planning should not be underestimated. It may sometimes be rather difficult and time-consuming to explain the complex relationships of economic growth in enough detail so that layman representatives in planning committees are made fully aware of the implications of all the decisions they are made party to. This might require a considerable amount of time and personnel badly needed for other tasks. But generous and patient instruction will not mean a waste of resources,

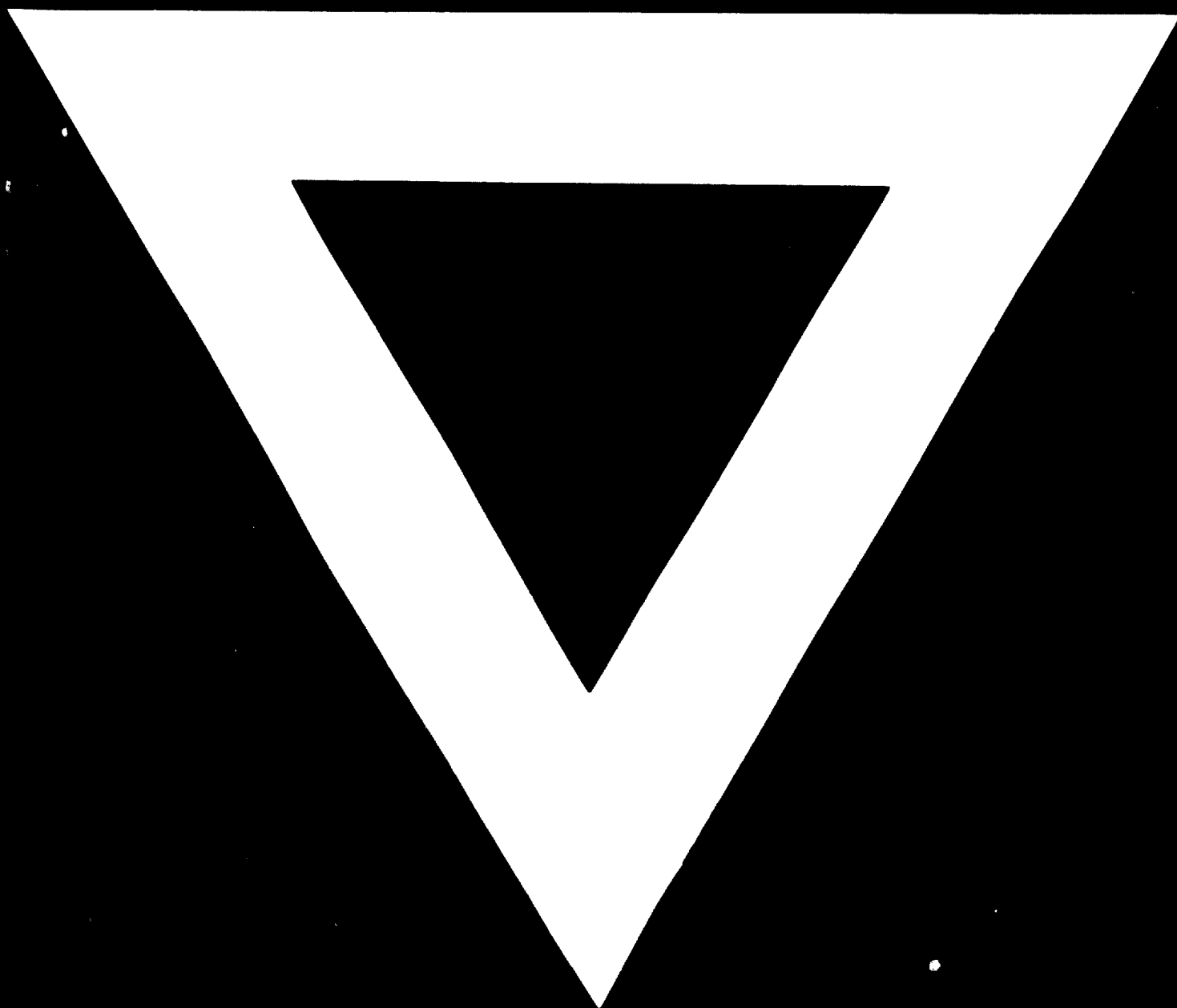


if this enables the union representatives to better spread such information to their members. This dissemination effect is indeed one of the reasons why popular groups should be represented in the planning committees, and no effort should be spared in making it as widely felt as possible.

50. Reference has been made to the problem of finding principles for a national wage policy. This is a problem which may not be regarded as urgent in some developed market economies, but in developing countries, particularly those which have undertaken comprehensive development planning, wage policy matters cannot so easily be regarded as the exclusive domain of the negotiating parties. The government plays such a dominant role in a developing economy, both as administrator and as large-scale employer, that its policies will in one way or another affect the conditions of wage negotiations. In fact, its intervention may of necessity at times be so great as to stretch the limits of toleration of Western viewers accustomed to more limited governmental activity.

51. On the basis of the conditions existing in each country, a balance must be sought between the desire of government and management to create greater investment capacity and the unions pressure for higher wages. This balance cannot be struck by force, for instance by a government decree that unions should cease to ask for better wages and working conditions and instead devote their energy to persuading the members to work harder in the interest of national economic progress. Such policies, if adopted, would deprive the unions of their chief role as a genuine and democratic voice expressing the aspirations of their members. As long as there are economic and social inequities in society, workers will continue to demand improved living conditions. If the democratic means of expressing these demands are suppressed, protest may find other and more destructive outlets. This fundamental force in trade unionism must be understood and respected if the union movement is to be brought forward to make its maximum contribution to the cause of economic development.





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