

# Participation of employees in defining economic policy and strategy

## Abstract

Social democracy – the participation of employees in decision-making, which includes the right to information, consultation, insight and control over the implementation of decisions, collective bargaining, social dialogue, etc. – is a significant civilisational achievement of the modern age, belonging among the corpus of human rights and freedoms, and thereby acting as a source of strength for employees in terms of defining and implementing economic policies and the development strategies of a company. This is supported by today's generally-accepted view that human resources are the key driving force in economic and technological development, which confirms that the best results in these terms are achieved by those countries that invest the most in the development of human resources. From that logically arises the need to include as many of the human resources in decision-making processes at different levels as possible, as an essential determinant of the meaning and practice of participatory democracy.

**Keywords:** economic policy, strategy, economic crisis, employee participation, transition, social democracy

## Introductory remarks

The economic crisis that, almost a decade ago, shook the modern world, particularly affecting countries with still incomplete transitions, including Serbia, has opened up a whole new set of questions. Essentially, it warned, or perhaps forced, all economic and political actors in each country to face up to the need for a new approach to the issues with which economic theory and practice, with varying degrees of success, has had to confront in recent decades. Every crisis is a form of dealing with the good and the bad, but especially with the latter in those societies in which this has not hitherto been promptly, competently and responsibly done, stressing the need for the maximum involvement of all social actors in the search for a way out of the difficulties and contradictions caught up in that society.

Countries have faced up to this aspect of the economic crisis and its political, economic and social consequences with different rates of success. 'Success' has been dependent on the economic and technological strength of a country; its level of development and the real social power of its legal and political institutions, and where social groups had a dominant influence on organisational decision-making as a result of these; and the character and impact in practice of the codes of ethics that exist in that society. In any case, it is evident even on a superficial level that those countries which took preventive action towards the potential and actual sources of the crisis

were the ones who ‘fared better’, i.e. fought the crisis and its consequences more easily.

In this way, the current global crisis has reaffirmed the social purpose and great opportunities of participative democracy. Confirmation of this experience is symbolically and factually concentrated in the slogan which runs ‘Politics is too serious a matter to be left to the politicians.’ The experience of multi-party parliamentary democracy unambiguously confirms that the content and effects of policies in one country, including its economic and social policies, depends to a large extent not only on the political and social forces in power but also on the character of the political and economic organisation of society; or, in other words, on the predefined rules that apply equally to all actors in economic and political life of society.

The modern era confirms on the basis of practical circumstances the functional connection and interdependence between political and economic democracy. Simultaneously, it can be said that there exists a direct proportionality between the degree of development and functional integration of economic and political democracy and its level of economic and technological development; and on that is based the standard of living and quality of life of employees and citizens. This is quite clearly connected with the statement above that any policy conducted within one country is always an expression of the interests of those social groups that keep the levers of decision-making on key issues under strong control.

When we review in this context the development of political and economic democracy, the following key strategic components can be singled out:

- establishing the rule of law, i.e. the equality of all before the law
- improving and strengthening the real social power of democratic institutions and mechanisms
- constantly expanding the circle of those who have real opportunity to influence or, in different ways, to participate in the decision-making process in a company or society.

The latter point – in particular, but not to the exclusion of the others – stems from the generally-accepted principle that it is men and women who are the key driving force in economic and technological development and, therefore, that the best results in this vital part of human endeavour are achieved by those countries that invest most heavily in the development of their human resources. Consequently, it not only makes sense that as much human resource as possible is invested in organisational and societal decision-making processes, at different levels, it is vital to the degree of success which that endeavour is able to achieve. It is, therefore, an essential determinant in the meaning and the practice of participatory democracy.

### Participation and other forms of social democracy – the world and Serbia

If history is a ‘teacher of life’, then in the field of social democracy it sends the following message.

The first refers to the gradual, i.e. complex, time-consuming process in which, on the one hand, the values and benefits of social democracy were first affirmed; and then, on the other, its legal basis and instruments strengthened.

The second relates to their interconnection and interdependence, i.e. their integrity. One can say that the instruments and mechanisms of social democracy emerged gradually, one by one; or at each of these steps their functional connection and interdependence were re-affirmed. In other words, one instrument is derived from another, or otherwise relies on it. However, today they can only function on the basis of the principle of integrity, i.e. the full effect of social democracy is achieved when all its elements and instruments become an integrated whole.

The third message is about the two-way influence of the development of social democracy. Namely, social democracy is an integral part of the overall democratisation of society, but also of the achievements of trade union struggle, i.e. the rise of the social power of union-organised labour and the consequently changed positions of employers and their associations. At the same time, the establishment of proper concept and practice, via efficient instruments and mechanisms, for social democracy reflects a strengthening of the social power of trade unions. Over time, this has led to establishing the relative balance of social power between the diverse industrial stakeholders – employers, trade unions and political authorities – based on a desire for social and political peace.

The fourth message is linked to differences in the course of the origin and development of the concept and practice of the appropriate instruments of social democracy in today's developed countries, as well as countries in transition, encompassing Serbia among the latter. In fact, the current establishment and development of social democracy in the context of the participation by workers and citizens in today's developed social market economy countries has progressed as a long-term and complex – we can say ‘natural’ – process in which the protagonists adopt common moral and social values, affirm and develop an awareness of their common interests and build and then strengthen the instruments and practices of good social democracy.

At the same time, we ought to recognise that countries in transition, and this again includes Serbia, have accepted, primarily, the basic values of democratic, civil, pluralist society in a purely declarative way and, in this context, have often resorted to ‘copying good laws’ and institutions. In doing so, they have not stood behind the need for the real power of social actors to give these laws and institutions true social force and their necessary energy for life. One consequence of such a relationship has been the uncritical acceptance, or uncritical rejection, of certain of the institutions of social democracy with no regard for the real social circumstances in which they operate, or are expected to do so.

Serbia, where transition has had a very turbulent and highly conflictual flow, has also fallen into the same trap, which is particularly evident in relation to the issue of employee participation in decision-making in enterprises. A certain number of analysts estimate that it is also one of the negative legacies of the socialist self-management system, in this case expressed in term of an *a priori* negative attitude towards anything that even remotely resembles self-management. The strength of this ideological manipulation is best evidenced in the name of condemning and rejecting self-management, as a sort of ‘scapegoat’ for all the many rejected or marginalised achievements of modern civilisations. To a very high degree, this has affected the fundamental rights of citizens in the workplace.

In this respect, we should focus on the specific corps of those working, economic and social rights which refer to the possibility of the participation and influence of employees in decision-making and which deliver a level of control over the implementation of the decisions of the company. Particularly in mind here are those decisions that are, directly or indirectly, related to the material and social status and the working conditions of employees in the company. Nevertheless, we also need to focus on those decisions regarding strategic development and business policies, because on such decisions ultimately depends the quality of the economic and labour rights of employees. This underpins a whole host of the rights of employees (and not just unionised workers) regarding information, consultation and codetermination. If history is indeed a teacher of life, then it proves unequivocally that every important form of social democracy today, such as collective bargaining, social dialogue and mechanisms for the peaceful resolution of labour disputes, has in its foundation the desire to inform employees on the important issues that affect their working conditions, financial status, and their labour and social rights. In other words, if workers are not informed, in a timely and objective manner, about the important issues of the business of enterprises, and the possibilities of and conditions for the exercise of their rights in the labour process, then all of the above and all forms of social democracy become an empty vessel, having lost their essential content and meaning. Likewise, the rights of employees to information, consultation and codetermination are interconnected and conditioned, with the full civilised meaning being achieved only when exercised in its entirety.

If we observe the historical movement of industrial relations, from industrial and social conflict to social peace, workers first won the right to form trade unions and then established a balance of social power by persuading employers and political authorities to harmonise controversial issues, i.e. their objectively different interests, in a peaceful way, around the bargaining table. For all industrial relations actors, the interest lies in resolving all issues in a peaceful manner which, for all of them individually and collectively, both economically, politically and socially, is a less expensive solution. In addition to the processes of negotiation, this opens up the whole package of employees' rights, imposing the need to establish new instruments of social democracy, above all mechanisms for the information, consultation and various forms and levels of participation of employees in the organisational decision-making process. Key in this is, however, the development of an awareness of the commonality of interests.

History and the contemporary practice of industrial relations also confirms that democratic industrial relations, dominated by social and industrial peace and the mechanisms and practices of its maintenance, is based on a relative balance between the world of labour and the world of capital. On the other hand, the development of new, more modern means of communication, especially via information technology, has changed the social circumstances. Raising standards in the field of human freedoms and rights in the modern age required information and knowledge to become a key and irreplaceable source of the social power of all actors, including industrial stakeholders.

This implies that the relative social power balance between industrial relations stakeholders, one of the foundations of social peace and stability in today's developed countries, is based at least on an approximately equal access to information for employers, managers and trade unions. In this respect, the advantage, but also the responsibility, lies above all clearly on the side of employers and management as they are largely the creators of information, or the decisions on business policy and the strategic development of the company. However, no less a responsibility is that of the state, which has the obligation to create a favourable legal framework and, with its actions, to encourage employers and employees to build mutual relations on the principles of social partnership, which incorporates the timely and objective informing of employees about important organisational issues.

In this way, the body of rights of employees to information, consultation and codetermination, and other forms of social democracy, operates on the principle of communications vessels. Specifically, information is a precondition for the functioning of all other forms of social democracy, while consultation and codetermination represent strategic strongholds for the process of collective bargaining as a key, and the most efficient, mechanism of regulating the mutual relationship between employers and employees. At the same time, realising the core objectives of collective bargaining and social dialogue implies and, in fact, contains within itself the mechanisms for consultation and codetermination. Ultimately, the process of collective bargaining, the conclusion and realisation of collective agreements in companies, is a form of the participation of employees in the decision-making process, as it determines the general rules for the acceptable behaviour of employees and employers in the organisation. From all of this, it follows that the neglect, or non-realisation, of the rights of employees to information, consultation and codetermination on the whole diminishes, or at least calls into question, the objective achievements and sense of all the mechanisms of social democracy. This is the reason why the rights of employees to information, consultation and codetermination is an integral part of individual and collective industrial relations strategy in the development of social democracy, but also a reliable indicator of the real possibilities for employees to influence the process of decision-making in the organisation, but – more than this – in the recognition and subsequent protection of the centrality of their interests in this process.

### **Employee participation in Serbia between the normative and the real**

The right of employees to information, consultation and codetermination belongs among the indisputable achievements of modern civilisation. In this sense, this body of rights represents a significant part of the labour legislation of democratic countries. The legal regulation of the rights of employees to information, consultation and codetermination proceeded in harmony with the establishment and promotion of these rights in industrial relations in that practically-established mechanisms and practices were turned into legal norms. From this stems the current functional connection and the inter-dependence between legal norms and the real situation in the field of employee rights to information, consultation and codetermination. The legal norms are important, but by themselves they are insufficient if there is no favourable social environment and where there are only minimal capacities of the social partners

to establish and to participate actively and competently in the processes of information, consultation and codetermination. The discrepancy between law and reality is particularly evident in transition countries, including in Serbia. Indeed, it is more expressed in countries where the transition is less successful, embodying essentially all of the constraints faced by political, economic and social reforms that make up the content of the transition process.

Serbia's experience in practice confirms that the normative legal regulation of the rights of employees to information, consultation and codetermination on the whole reflects the contradictory nature of conflict over the process of transition in Serbia. Actual practice in this regard confirms that the industrial and social conflicts that have rattled Serbia for almost two decades do not provide fertile ground for the normative and the practical establishment of the rights of employees in this area, since they call into question one key prerequisite – that of mutual trust between social actors.

However, any objective, comprehensive analysis of the situation in this area shows that some significant steps have been made. Primarily, this refers to the international legal documents ratified by the former Yugoslavia, and which Serbia (as one of its legal successors) has accepted, as well as those documents which have been ratified in the near past. In this respect, of particular strategic importance is the United Nations Pact on Economic, Social and Cultural Rights which, among other things, establishes the rights of employees to information, consultation and codetermination and obliges employers and political authorities to take appropriate steps to ensure the conditions for the actual realisation of that right for employees.

In addition, the legal system and practice in this area of employees' rights must also reflect Convention 135 of the International Labour Organisation, on the protection of and the facilities to be provided to employee representatives in an undertaking. This Convention implies union representatives as well as the representatives of all employees that are elected in free elections by workers in a company. The Convention obliges employers by establishing that workers' representatives should be protected from any action which is harmful to them, including dismissal. Likewise, the employer is directly obliged to provide workers' representatives with all the facilities they need effectively to perform their functions and tasks.

In any analysis and evaluation of objective range, i.e. the real power of the legal regime in the exercising of the rights of employees to information, consultation and codetermination, it is necessary to take into account that Serbia has recently ratified the European Social Charter – a strategic document of the Council of Europe in the field of labour, economic and union rights. This document obliges all countries that have ratified it, partly or wholly, to harmonise its legal system and social practice with the standards set out in this Charter. In terms of legal protection and the practical exercise of the rights of employees in this area, Article 21 of the European Social Charter commits the signatories to take measures in their countries enabling workers or their representatives:

- to be informed regularly or at the appropriate time and in a comprehensible way about the economic and financial situation of the undertaking employing them

- to be consulted in good time on proposed decisions which could substantially affect the interests of workers, particularly on those decisions which could have an important impact on the employment situation in the undertaking.

When it comes to national legislation, the right of employees to information and consultation in Serbia is defined in Article 13 of the Labour Law, which states that employees, directly or through their representatives, have the right to association; participation in negotiations for the conclusion of collective agreements; peaceful resolution of collective and individual labour disputes; and to be consulted, informed and to have routes to express their views on important labour issues. It is particularly important that the same Article determines a mechanism for the legal protection of workers' representatives in the sense that workers, because of their representative activities and in representing the interests of employees, cannot be held responsible nor put at a disadvantage in terms of their working conditions, where they act in accordance with the law and the contract. However, in comparison with the legislation of European countries, it is evident that the Law recognises the right of employees to information, consultation and to 'express their views', which is essentially another name for consultation – but it does not mention the right of employees in the area of codetermination.

On the whole, the regulation of employees' rights in this critical area in Serbia is not to the comprehensive and systematic extent which is necessary, taking into account European standards and the legal regulations in other countries. However, it must be borne in mind that this matter, which is very alive and dynamic, can never be regulated exclusively by legal norms. In this regard, an important part of strategy in this area should be the relationship between legal and autonomous regulation, which includes the effort to regulate many of these issues by collective agreement.

#### Perspectives on improving employee participation in the decision-making process in Serbia

If the history of industrial relations is viewed as a process of movement from industrial and social conflict to industrial and social peace, it must be noted that the development of employee participation in decision-making is one of the cornerstones of such a process. This historical process, alongside contemporary practice, confirms quite unambiguously not only that democratic industrial relations are not possible without the participation of employees but that the degree of participation and real influence of employees in decision-making and control of the implementation of the decisions of an organisation is in direct proportion to the level of development of social democracy (and, on that basis, social peace).

Countries in transition in the process of political, economic and social reforms have viewed the right of employees to information, consultation and codetermination as an achievement of western civilisation, and initially approached it as such. However, practical success in establishing institutions and practices in this area in individual countries is a different prospect. Analysing these processes in transition countries can reveal a pattern, i.e. the correlation between the degree of development of mechanisms and the real impact of employee participation in both organisational and societal decision-making processes on the one hand, and the success of the transition

process together with its economic and social cost on the other. Actually, practice confirms that the most successful transition countries were those which, at the beginning of this complex process, reached a basic consensus among all relevant social forces – political authorities, trade unions, employers, non-governmental organisations, etc. – on the ways, the social costs of transition and the allocation of roles to all social groups, in accordance with the level of economic power wielded and the principles of social justice and solidarity. Of course, such a thing was possible only in those countries which have established and developed effective mechanisms and practices for employee participation in decision-making.

With that in mind, the experience of Serbia has proceeded on a very specific, very contradictory, course. The contradiction is primarily reflected in that Serbia, which had for decades, within the framework of Yugoslavia, built the system and ideology of workers' self-management, i.e. the mechanisms that give workers indisputable and (in varying degrees) real decision-making power in companies, has in the transition period almost completely neglected this complex issue. The result in terms of the establishment and functioning of mechanisms for workers' participation is that Serbia is at the bottom of the list of countries in transition.

The experience of Serbia confirms that social and political democracy can be successfully established and developed only in parallel and that all mechanisms of social democracy must be treated as integral parts of one whole. In other words, both the positive and the negative experiences in this area identify that it is not possible to establish and develop mechanisms and practices for workers' participation but, at the same time, not to develop collective bargaining and social dialogue, thereby asserting the responsibility of all three social partners to establish mechanisms and practices for social peace. If we survey the historical experience of today's developed democratic countries in the European Union, with several decades of social democracy practice, then it can be perceived that, in the context of the development of the system of collective bargaining, and in the function of the prevention of industrial and social conflicts, the range of issues that are the subject of collective bargaining has been constantly expanding. In this process, collective agreements, as well as the pre-defined principles of employer-employee relations, have determined and subsequently further developed useful mechanisms for employee information, consultation and codetermination. Furthermore, what is also noticeable is the positive tendency of widening the circle of issues that are the subject of employee rights in this area in the direction of including key issues of business policy and organisational development strategy, especially those issues that, directly or indirectly, affect the economic situation and the level and the quality of employees' rights.

On the other hand, a distinctly conflictual transition in Serbia, followed by a long economic crisis, high unemployment and low living standards, led to a process in which collective bargaining, predominantly or exclusively, has come to focus only on questions of wages, their regular payment and other basic rights on which (and usually directly) the existence of employees and their families were entirely dependent. This had, as its consequence, that the content of the collective bargaining process became separated from issues of long-term strategy, including the reaching of

agreement between employers and employees on the content and scope of employee participation in decision-making.

In reviewing the current situation of and perspectives for employee participation in decision-making in enterprises in Serbia, it is necessary to consider the position of works councils in the process. This need arises from works councils representing not only a confirmed effective and powerful mechanism for the participation and influence of employees in the decision-making process, but also another indisputable achievement of modern civilisation. The history of works councils, as well as contemporary practice, confirms in a factual way the importance and the meaning of works councils. In favour of this speaks very eloquently the experience, i.e. the concept, of codetermination in Germany which is comprehensively and systematically regulated by a separate law. The basis of the concept and practice of codetermination via works councils is that representatives are elected in secret, democratic ballots by all employees in the company. It is undeniable that works councils are an essential factor in the process of making important business decisions and defining and implementing development strategies and business policy.

When it comes to Serbia, the unsatisfactory situation in terms of exercising the right to information, consultation and codetermination in a company inevitably influences the attitude towards works councils in a restrictive way. None of the social partners in Serbia – not the political authorities, not the trade unions and certainly not the employers – have shown any interest, so what is missing is even symbolic efforts to promote opportunities for works councils and to develop good practice. Furthermore, of course, it is necessary to note that trade unions, by their social role and objective position, have the greatest interest in developing the concept of employee participation because it directly affects the position and the real social power of trade unions. The issue is that the trade union, in its strategic position in terms of protecting interests, stands for the improvement of all forms of participation and influence in the decision-making process because it is confirmed as a direct and very effective way in which to protect workers' interests at the source.

The Labour Law defines the right of employees to establish works councils in enterprises, although the legislation remains only on the level of the general definition of such a right. Of course, legislation is not all-powerful, and cannot resolve issues by itself, but in this case the impact of the lack of a more holistic legislation is very visible.

In practice, on the basis of indirect data – because there is no direct research on this topic – works councils in Serbia do not exist, i.e. this potentially very efficient mechanism for workers' participation is being completely neglected. The lack of interest of employers and the state in that respect may be expected, but the indifference of the trade unions is especially striking. The experiences of other countries, both economically developed, with a long tradition of union struggle and social democracy, as well as in transition, confirms in that respect the existence of a conceptual, strategic problem.

This is reflected in that unions perceive works councils as competition, as a parallel organisation. This attitude stems from two main sources. The first is the lack of distinction between the role of trade unions and that of works councils in represent-

ing all employees. Another reason is reflected in that trade unions often take a rejectionist stance towards works councils on the basis that they represent a competitive angle in the representation of workers' views. This problem has been present for decades in the theory and practice of industrial relations, and so it inevitably occurs in our country. This attitude, however, speaks more about the weaknesses and limitations of trade unions, and their insufficiently democratic and flexible organisational forms, since the establishment and effective work of works councils includes, as a necessary condition, democratic procedures for their election and the full public disclosure of their work.

Tackling that issue, it would seem, would be a prime means of addressing why works councils have been so under-used in Serbia; and also – more than likely – in assisting with the parallel development of all forms of social and political democracy.