

a selected chapter from

**THE ART OF ASSOCIATION:
Essay on a Trade Union Perspective for the Nonprofit Sector**

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**CHAPTER 3: AN ACTIVE ROLE FOR THE TRADE UNIONS:
INNOVATIVE PATHS**

1. Trade union exchange networks
2. Trade union financing for the third sector
3. Redefining the unions' role in post-industrial society
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On the basis of a critical analysis of the more recent developments of the third sector, in this chapter we would like to explore two ways in which the trade unions could contribute to improving the essential aspects of third sector development: the question of the organisation of time and labour, and the problem of the financing of activities of a societal nature.

Not only interesting experiences have developed with regard to the third sector and its prospects, some of which have seen the trade unions involved. But there has also developed a supporting literature, which besides attempting to interpret it and explain it (we gave a brief look at this in Chapter 1), has also tried to suggest ways and means of realisation¹, especially in two main directions:

- how to provide a suitable institutional context, in the form of the

¹It goes without saying that this vast discussion on the third sector will be influenced by the logic and organisation that have been used in the analysis and interpretation stages.

insertion of the third sector (following its more precise institutional definition) in the juridical and operative orders of the various national contexts;

- how to deal with the conditions of its functioning, and in particular with the modalities of its financing, with reference to the many financial instruments which today exist for any economic activity, or which could be created, and in consideration of the peculiar characteristics of the third sector.

It is not our intention to attempt to sum up and discuss this literature, which is now very developed. Since nevertheless we intend to underline in a specific way the possible role of the trade union organisations in the development of the third sector, and since this vision of the specific role of the trade unions derives to a large extent from a sort of interpretation of the significance and role which the third sector has in the transformation of contemporary society (which was rapidly discussed in the last paragraph of Chapter 1), we think it is necessary to anticipate the indications concerning some possible developments of trade-union action² some considerations recalling the interpretative background and the reading of the transformations underway on which the said "new" role of the trade union has been founded.

The two directions in which according to the authors the role of the trade unions could develop in the strengthening and expansion of the third sector, are:

- that of the development of informal exchange networks of services; and
- that of a financial organisation of support for the development of a trade-union self-management of the services themselves.

Therefore in this chapter the essential outlines will be presented of two proposals in the above-mentioned directions, in the hope that they may generate a productive debate.

Nevertheless both the proposals will be, in this chapter, anticipated by a brief reference to some structural and conceptual foundations, which constitute the background itself of the proposals.

Trade-union informal exchange networks

Transformations in the relations between employment, income and labour market

As is known, the de-industrialisation of contemporary society is causing a

²In line with the renewed interest, which we have rapidly documented in Chapter 2.

reduction of the mercantile area of exchange to the benefit of the growth of a non-mercantile area³. This has an important effect on the working and exchange relations. One of the most important economic aspects of the third sector concerns in fact the link between monetary income and employment. The area in which employment is nourished by the labour market is diminishing. This constitutes one of the factors of growth of the third sector. It in fact represents the expansion of services demanded socially which are ensured only with difficulty by the growth of entrepreneurialship aimed at profit. The state (welfare state) on the other hand, which has been entrusted with the provision of such services in a nonprofit logic, is burdened by the overload deriving from the growing importance of the demand for these services, and therefore or provides them in a poor or shoddy way, or does not provide them at all. Thus is born, "do-it-yourself"⁴, the self-management of those who satisfy their needs without private enterprise or state: the third sector, authentically understood.

Thus identified and structured, the third sector has some undoubted consequences on the forms of employment and on the forms of monetary exchange. In reality the organisation of the exchange within the "self-managed" sector (the third sector) may occur using monetary means of exchange or not, and forms of labour for wages or not; in all cases it is different from the normal exchange on the market (of goods and labour).

Since the third sector (whose structural birth and development and nature we have summarised) does not live in an autonomous cosmos, but interacts with the outside represented by the for-profit market sector and the state sector, not unlike the other two sectors *it may operate in the market*, acquiring productive factors on the market (with purchasing prices or wages for labour). But albeit moving in the market, *but not for the market*, it will try as much as possible to exchange goods and labour without the entrepreneur's markup of profit (without the marxist plus-value).

The possibility is created thus of realising a circulation without profit (with the use or not of currency) and an exchange of goods and services in a preferential circuit, that which the traditional market and now a large part of the labour supply are abandoning.

The development of the third sector in fact allows a participation in the

³This is exactly the inverse movement that in Western economic history has accompanied the process of industrialisation, and which has been so efficaciously described by Karl Polanyi (1944).

⁴Toffler has called this new social and operative reality pro-consumerism, and its protagonists procons, which unite in one person the functions of producer and consumer. The "market" in the traditional sense of the word disappears here.

labour market that is more flexible to preferences and the aptitudes of the labour supply, which - having satisfied in many ways the essential needs of life, or satisfying them with a increasingly lower share of both individual and household incomes - may afford to ask for work only for favoured jobs and refuse those which are not favoured. The traditional labour market, on which the trade unions have amongst other things developed their numerical growth and specialisation, is reducing its area of presence and influence.

And if the trade unions do not equip themselves for following the transformations (and for our point of view for provoking them, and "institutionalising" them) they risk seeing reduced - together with the traditional "labour market - their influence and their *raison d'être*. As children of the *industrialisation* process, they do not demonstrate themselves capable of adaptation and reconversion to the process of de-industrialisation. They thus risk being reduced to becoming the trade unions only of the former workers of the former labour market, i.e. of the retired.

The growth of opportunities for activities (with the connected integrated labour demand-supply, offers - as has been said - also the opportunity to acquire non-monetary (therefore invisible or intangible) income which however has the effect of diminishing the need for monetary income, and therefore the supply of wage-making jobs. This effect of reduction of the demand for monetary income produces in fact a slowing-down of the real supply of work in the monetary (official) labour market itself: and above all a slowing-down of full-time work, corresponding in practice to the average of the formal working-hours, annual, weekly or daily. Such a slowing-down is still stronger if we consider certain segments of the official labour-market: for example, young people, women and the elderly. This phenomenon however is not reflected in the official statistics of the labour market and employment, and above all it does not get transferred to that of unemployment, since this preference for work at no charge or unremunerated is taken into consideration neither by surveys on employment, nor by the lists of employment agencies.

Because the virtual reduction of supply of labour is expressed primarily in a reduced availability for full-time work, or a greater supply of part-time work, this phenomenon does not appear in the official statistics which continue to register an indifferiated and unsatisfied supply of work, when in reality this supply is very differentiated and very much conditioned: as is manifestly evident when concrete job opportunities, made available to those signed-up on predetermined lists, are subsequently abandoned by the same people in the face of the real conditions of the

work itself⁵.

In order to correctly evaluate the phenomenon we are talking about it would be necessary therefore to heavily correct the meaning of employment and unemployment statistics⁶. Associative economy implies a non-remunerated occupation (monetarily speaking) which diminishes the worth of a demand for a remunerated employment. A non-active person could be - with the development of associative economy - a person who is in reality only partially inactive, because employed in an informal manner, but not as a result of this any less productive or less remunerative (from a non-formal point of view).

In this regard it appears pertinent, even if not exhaustive, to use the definition "informal economy" to designate associative economy. In this age of post-industrial society in which an informal economy (informal because not formally perceptible in official systems of accounting of production and employment) develops rapidly, the formal value of employment (and of non-employment or of unemployment) is not the same as it was in the age in which society was becoming industrialised, in which informal (non monetary) economy tended to disappear and in which the exchange of goods and services, and therefore also of employment, tended to be monetarised. Until associative employment (including that which is not remunerated monetarily), is also taken into account in employment and unemployment statistics, the worth of employment (and of unemployment) of today will be very different from that of the age of industrialisation: according to our personal estimation its worth should be roughly halved⁷.

And as long as associative employment is not also accounted, the employment-effect of the increment in the associative sector will be - as other things belonging to the change in post-industrial society - buried, or hidden or simply distorted.

This is therefore, the context in which some manifestations of "informal exchange networks" of activities and labour, in which the trade union that becomes aware of the structural changes of contemporary society, may be able to assume a dominant if not hegemonic role.

⁵The changes in the behaviour of the employment market, above all on the part of the supply, in post-industrial society, have been the subject of a very vast literature, also projected towards the exploration of the envisageable future. Among many works, we would like to single out Gershuny (1978), Gershuny and Miles (1983), the essays collected by Henry (1980), and a rich bibliography in South (1980).

⁶On the fallacy of unemployment statistics, the reader is referred to the works of Guttmann (1978 and 1979), Clarkson and Meiners (1977), Foudi et al. (1982).

⁷Further considerations may be found in the lucid essay by W. Leontief (1982), and the work in cooperation with Faye Duchin on the "social impact of new technologies" (Leontief and Duchin, 1986).

Let us look at some particular manifestations⁸.

The "Service Credits" system in the United States

During the 1980s in the USA several states have implemented through legislation networks for non-monetary exchanges of services, putting into practice the "Service Credits" model (developed mainly by Edgar Cahn⁹). The initiatives known so far do not permit a reliable assessment of the effects and overall merits of this model, and thus the academic and political discussion still keeps mainly to the theoretical plane. The "Service Credits" model is based on the formation of a local network made up by people willing to provide and/or receive services - mostly of a personal and domestic kind - using not money, but vouchers valid inside the network itself. In the centre of each network there is an organization, such as a welfare association, parish, hospital or trade union. This organization acts like a bank, which puts the service voucher into circulation. The network is endowed with a starting capital provided by a public agency and/or private individuals. In addition to its managers, in the network three kinds of people participate: the "donors", the "recipients" and the regular participants. The donors provide voluntary services to the other participants without receiving vouchers in return. Their motivation can be of an altruistic/philanthropic kind, but they may also be seeking personal benefits, such as the possibility to attend training courses in social services and subsequently to offer the acquired skills on the labour market. The position of the recipients is the opposite, since, due to illness or age they are exclusively consumers of services. Lastly, the regular participants are both providers and consumers of services: in return for the services given they are entitled to services of equal value provided by other members of the network.

The system lends itself to many possibilities of expansion: several local associations can establish connections and provide a common and varied "pool" of services, so that also services not supplied by a particular organization could be obtained from an associated organization. In such cases a controlling authority would be established, which could function like a "central bank".

Experiences in exchange networks in The Netherlands

Since the mid-eighties several informal exchange networks for services

⁸The information reported in the rest of this section derive from the fundamental work by Offe and Heinze (1990, 1992). For a first evaluation of the Italian experience of the so-called "time banks" see AREA (1996).

⁹Edgar Cahn is a Professor of Law at Florida International University, and was an Advisor to the American Government. He is actively involved in civil rights movements.

and goods have arisen in The Netherlands. Most of these networks originate from initiatives taken by the National Association of Centres for Voluntary Work (*Landelijke Vereniging van Vrijwilligercentrales*). They are non-commercial projects directed primarily to people with low incomes and much free time, and have attracted the interest of Dutch political circles, who are engaged in tackling the "Welfare State crisis".

In these networks the principle that "one good turn deserves another" is generally followed, i.e. no attempt is made to differentiate the services according to their quality. The unit of measure is the quantity of work spent, which is measured in hours or otherwise. When goods are exchanged, sometimes a point system is used. Most networks have set up a central office which keeps accounts of the "debits" and "credits" of each participant, and works like a Stock Exchange. These central offices are often actively engaged in matching demand and supply of services, continually informing the various members of the existing opportunities. Some initiatives have renounced the principle that only imposed "paying" for services obtained with other services, have admitted the possibility of paying for services rendered by the organization with money. Some volunteers also work in the networks, who help very needy people, and whose activities sometimes receive external support through donations and public assistance. However, the normal situation is that of reciprocity, which has the advantage of avoiding the sense of one-sided dependence that the recipients of volunteers usually suffer from.

Although the expressed aim of the networks is that of bringing economic benefits to their members, by avoiding recourse to the market for certain types of services and goods, research has shown that the principal motive of the participants is of a rather immaterial nature. Belonging to a network creates a sense of community among the participants, and permits them to establish contacts with other people and sometimes to escape from situations of isolation. The essential condition for the perdurance of the project seems to be, however, an organizing and administrative structure composed of able and motivated people.

The Offe and Heinze Model

Claus Offe and Rolf G. Heinze formalized and organized their concrete experience in a model called by them "cooperation circle" (*Kooperationsring*)¹⁰. It foresees an exchange network of services between households, whose number can vary from a few dozen up to about 500¹¹. This size, according to the authors, should, on the one hand, assure the

¹⁰See Offe and Heinze (1990, 1992).

¹¹The authors exclude single members of households and firms from their model.

"local" character of the circle, and, on the other hand, assure results of specialization and create economies of scale. The exchange would be based on the principle of equivalence; it would not, however, be based on money, but on a special currency of certificates or vouchers, which would not be convertible into money.

The currency is expressed in terms of time (hours), among other things, to avoid mechanisms such as price formation and to favour the participation of people with little money but a lot of time, with favourable results in terms of social integration. This means that the system stops differentiating and evaluating services rendered according to quality, that is, according to the ability, effort and experience of the person carrying it out. Offe and Heinze, however, retain that there would be a standardization of the services and a definition of "normal" and "acceptable" quality.

The services exchanged in the circle will be particularly concentrated around the family, personal care and domestic activities. It is supposed that in these fields the necessary abilities are already largely held by the people concerned, and the advantages of the system would thus be obvious from the beginning. Moreover, such a limitation would prevent the opposition of professional suppliers of more complex services and their associations, making the achievement of the model easier. Specialist services for special categories would not be objects of exchange, because otherwise a disproportion would be created between supply and demand. Only "everyone's services" for "everyone's needs" would be exchanged.

According to Offe and Heinze, exchange networks of this kind cannot emerge exclusively on the initiative of the people concerned. The predominance of the market and etatism caused by the process of modernization has led to the partial loss of the socio-cultural abilities needed for the discovery of spontaneous forms of reciprocity and selfhelp. Schemes like the one outlined by them should therefore to be promoted by the local authorities or others. As far as organization is concerned, a "cooperation circle" could emerge *ex novo*, preferably under the legal form of "association", or on the basis of one or more pre-existing organizing structures, such as associations, religious communities, cooperatives and trade unions. The subjects indicated could also help the public authorities to create incentives for the high rate of circulation of the vouchers, for example, making available to circles that surpass certain levels of activity, people who take care of administration and formation.

One reason why this proposal should be of great interest to the trade unions is that, according to its authors, it is strictly linked to a demand that in recent years has become increasingly more intense: the reduction of working hours. The diffusion of "cooperation circles" would help to remove some obstacles that oppose this reform.

In fact most people with a job might be willing to accept a cut (or lack of increase) in their wage that would follow a reduction of their working hours, if they were sure that this would result in new opportunities of employment for others. But because they cannot be sure that their "sacrifice" would really have this effect - in fact, companies could react to this change with strategies that would not cause an increase in employment - they will tend to privilege their immediate personal interest and oppose the reduction in working hours and wages. Because the employed and their families represent most of the population, proposals to reduce working hours meet with a serious obstacle. The diffusion of informal networks of exchange of services could contribute to remove this obstacle, increasing the value that the single worker would give to an added unit of free time. He could occupy part of the time gained in an informal network, obtaining the services that before he had to buy on the market, and that would compensate him, at least in part, for the reduction in income.

From the point of view of the whole economy, the "loss" of hours of work could not any longer be considered a "waste" of working potential, but a precious resource that would be translatable into useful work outside the monetary economy.

If the informal networks of exchange can function as a catalyst for a reduction in working hours, this, in its turn, creates favourable conditions for the diffusion of informal networks, giving people more free time. The informal networks and reduction of working hours - to which Offe and Heinze add the introduction of an unconditional guaranteed income ("basic income")¹² - therefore constitute a "package" of reforms whose elements support and promote each other.

The creation of trade-union informal exchange networks

The essence of our proposal is contained therefore in widening the typology of the experiences rapidly discussed and making it become a predominant role in the trade union, in as much as it is the most equipped, "competent", authoritative organism to assume the initiative of the formation of the above-mentioned exchange networks. The rhythm of expansion of this trade-union initiative should be inversely proportional to the rhythm of shrinking of the labour market area in which the trade unions operate as legitimate representatives of the workers. This objective condition of the trade unions, has led to the imprecise and predictable accusation that they look after the workers and not the unemployed. The truth is that they have looked after the workers only because their model of action has corresponded until now to a labour market model characterised

¹²On minimum guaranteed income, see also Offe (1992).

by the for profit business demand for labour; or by nonprofit businesses (government agencies included) which however took on labour on the market and without special final aims apart from the qualified labour which they demanded. The day when - like the ancient mutual aid societies and guilds - the trade unions offer also aid-oriented services to their members, and in newer and newer social demand sectors, then the trade unions will become also representatives also of the workers as users and consumers, and as organisers of self-production, self-consumption and champions of self-management.

This is why the trade-union federations should systematically promote the constitution, by their local organisations, of informal exchange networks operating according to the rules described above. The trade-union associations could provide the initiative, organisation and the publicity needed to "launch" the single networks, and subsequently to continue to provide the necessary personal and material logistical support (telephone, fax, photocopiers, etc.). The single networks, made up presumably of a few hundred people, could then be connected up amongst themselves, exploiting the lines which already unite the local trade-union organs amongst themselves and with the regional and national organisations.

In perspective it can be imagined that the coupons valid in the single networks will develop into a *trade-union currency*, governed by rules that are more communitarian and close to the trade-union values than those which govern the formal sector of the economy.

Trade-Union financing for the third sector

What financing?

Among the problems met by the third sector in its development, the difficulties met by the nonprofit organisations in getting the resources necessary for their activities stand out.

In the vast debate that has opened up on the third sector financial problems have acquired a primary position almost prevailing over all others. As we have already warned, we certainly do not intend to specifically examine financial problems in particular in a discussion of the various financial instruments that may be more or less suitable for ensuring the best functioning of the third sector.

Here we would like only to identify - from the financial aspect also - a specific trade union role. But, at the same time, we believe that such a specific role would not be either understood suitably or comprehended in the correct manner, or well realised unless reference is made, let us say, to

a general philosophy of the third sector, as an autonomous sector (and therefore necessarily and finalistically oriented at equally autonomous financing) of activity.

This position, on the other hand, repeats the same trade union philosophy, in general. A non-autonomous trade union, which is either the "transmission belt" of the parties, or inserted in a corporative state organisation, or dependent on the attentions - and the financial subsidy - of companies, would not be autonomous, and therefore would not be an authentic, real trade union.

Thus, in the same way, financial development of the third sector, subsidised by the state or subsidised in some way by the for profit enterprises would not give rise to an authentic, real *associationism sector* (as we would increasingly prefer to call the third sector).

Therefore abstractly we must affirm that "self-financing" projects are those which repay the costs with the means gathered from the beneficiaries of the services and/or by other private subjects. In the literature "promoting" the third sector, which by now has become extremely abundant in all countries, analyses and procedures have been applied to the sector that are very much based on existing practices, on financial modalities that are coherent with the functioning of the existing financial markets and the main role of the state with regard to this. But the third sector cannot but require ad hoc instruments, and so much more must do the trade unions if a decision is made to assume the role of financier of the third sector.

The bargaining strength of the trade unions could be used to open new channels of financing for the third sector. It would mean adapting the idea of the trade-union investment funds, which with varying fortune has been taken on by many European trade unions, to the current social needs, and in particular guaranteeing the third sector organisations the means sufficient to carry out their general interest functions.

It is well-known that in the usual framework of economic policies it is always asked of the trade unions to contain their wage demands within the limits which must not exceed the average overall rate of increment of productivity at the level of the entire economic system. The principal argument given is that wage increases are translated, almost entirely, in additional final consumption, while savings and investments have their source substantially in income deriving from capital.

If one does not assure an adequate margin of profit for the enterprises, investments are discouraged and unemployment is produced: so it is said.

The trade unions often object that it is not to be taken for granted that profits must necessarily be the exclusive source of investments; nor is it to be taken for granted that wages are necessarily converted into final consumption. Basically it is from this objection that the idea was born of instituting *trade-union funds* - managed by the trade unions themselves - which gather together the *contractual savings* of the workers, that is to say the savings established during collective bargaining, both at national level, as at sectorial, regional, or even company level¹³.

Some have seen in trade-union or wage funds for investment the means for transforming the capitalist nature of today's economic system: i.e. to create "capital without an owner" (as the Swedish trade unions' "Meidner Plan" proclaimed); however proposals and discussions in this regard are much more numerous than corresponding implementations. And even in the heart of the trade-union movement there exists much hesitation regarding this: above all among those who prefer the trade unions in their traditional role, as administrators of the employment market through collective bargaining, or, at the most, as negotiators with government on the measures of general economic policy¹⁴.

The exercising of responsibility in the matter of financial activities, by the unions, raises much diffidence and it is claimed that they would neither have experience nor adequate structures for it. And in effect, the formation of union funds for investment would be of limited value and meaning if such funds should then only be channelled into the ordinary financial market, nourishing the demand for capital at market rates, and if such uses should be remunerated with the normal profits of a financial enterprise.

The trade-union funds could, however, constitute exactly an alternative channel of financial accumulation, by its nature different from the profit-making sector of the capital market, and could be suitable for financing precisely the activity undertaken by the third sector, itself also without profit-making ends. On this point it is useful to recall some lucid reflections by Giorgio Ruffolo on trade union capital funds, expressed whilst commenting on emerging proposals in this direction:

"The proposal to utilize the bargaining strength of the trade unions to constitute a fund for trade union capital with which to break the capitalist monopoly of capital supply has become, for some parties and socialist trade union spheres, the "route" to socialization. The expectation aroused in this field, of transforming, by means of trade

¹³See in the appendix to this chapter a brief history of trade-union investment funds.

¹⁴One of the most important documents of the International Confederation of Trade Unions tackles this theme without giving it much interest and practically in negative terms. This document is the well-known *Keynes plus*, drawn up to oppose the restrictive economic policies of the European governments in the 1970s.

union funds, the capitalist nature of the system, seems nevertheless exaggerated, and, in some ways, misleading. The capitalist nature is linked, in fact, much more to the logic of the use of the funds than to their origin. A trade union Fund, which manages its resources following the same logic as that of a company, or a bank (and what else, otherwise?) would not change the nature of the capitalist system much: rather it adapts itself to it. It is more likely, on the other hand, that this would change the nature of the trade union, transforming it from an association for solidarity into a speculative enterprise.

Totally different would be the use of trade union resources accumulated in the Funds in qualitatively different activities from the capitalist type, without profit motives, and reserved for associations promoted by the trade union itself. In this case, the trade union would extend its capacity for representation from the tendentially narrower sphere of the "work force", to the wider one of "consumption" and of autonomous activity: thus contributing to transform gradually what today is considered as a passive area in consumption, in an active sphere of autonomous initiatives, which are self-gratifying and self-managed.

In this way, a new field would be opened to the trade union, which is limited today, on the one hand, by the limitations which the objective need for an incomes policy imposes on it, and, on the other, by the prospect of a gradual shrinking of its base, in which to manifest and prolong its original and authentic nature as an organization for solidarity, rather than directing it towards extraneous and heterogeneous models."¹⁵

The following reflections represent only a first approach to the theme, which deserves in our opinion a notable effort of study and "institutional imagination".

The proposal - The trade unions could declare a willingness to contribute a more or less substantial part of the increases in contractual wage renewals to a "Trade union fund for the third sector", created and managed autonomously by the trade unions themselves. It is furthermore conceivable that a part of the sums flowing into the Fund could derive in part from what the workers pay to the state in the form of social contributions and taxes, which the state could "give up" in exchange for a commitment by the unions to assume the responsibility of organising and financing the services to which these sums are now destined. This negotiated transfer of resources and responsibilities would have an effect of "destatalisation" of collective services, with consequent benefits in

¹⁵Ruffolo in *La qualità sociale* [The Social Quality] (1985) p.211.

terms of efficiency and autonomy.

The trade-union fund could be administered by the actual trade unions, perhaps with the aid of credit institutions. It is necessary to examine if it would be more opportune to create a single national fund, or create various managed at the local, regional or sectoral level. At first sight the most advantageous solution would seem to be that of a single national fund, providing that attention is paid to two conditions: the setting aside must be realised in a differentiated way that adheres to the various contractual opportunities, and the supply of resources must take place according to criteria that bear fully in mind the various regional and local conditions.

With regard to the *subjects* at which are aimed the means deriving from the Fund, responsible for carrying out socially useful activities, two possibilities are conceivable, within compatible limits:

- the beneficiaries of the means could be non-profit organisations created and managed in an independent way from the trade-union associations, but which carry out activities that the trade union recognises as useful for collectivity and merit being promoted. In this case the organisations benefitted should award the trade-union organs a certain degree of control on their activities, allowing for a verification as to whether this continues to respond to the criteria established.
- the responsibility to translate the means supplied by the Fund into general utility services could on the other hand be assumed by the trade-union associations themselves, and given the nature of the services in question presumably by their local organisations. These latter would see a structural and personal change accompanied by the widening of their field of activity, and the creation of associations *ex novo* could turn out to be opportune. These would however be still linked to the trade union by personal and administrative links. Currently the trade unions are already involved in activities which go beyond their main function, i.e. the bargaining function. The proposal is to widen, systematize and institutionalise these existing experiences, and strengthen in the trade union world its awareness of appurtenance to the third sector.

With regard to the *nature* of the supply, two possibilities are essentially conceivable.

- provision of sunk funds (in particular for more "solidaristic" initiatives); and
- loans on conditions that are however made convenient in comparison to the normal credit channels. This possibility interests in the first place initiatives that are able self-support themselves financially, but which need an initial support in order to "take off".

It is foreseeable that the organs responsible for the supply will have to decide the specific form of the supply in a pragmatic way that adheres to the particular characteristic of the initiative considered, for which it will be necessary to develop rules that are sufficiently flexible and able to allow "mixed" solutions.

With regard to the *criteria* which should govern the supply of the means, it is well to point out immediately that the proposal concerns a Trade Union Fund. It is essential (in particular for its possibilities of adoption) that the trade union sees clearly that according to this proposal it will not exercise its bargaining force as representative of the workers in order to set aside funds that will be administered by somebody else, according to criteria decided externally by the trade unions themselves. It will be rather the trade union itself that fixes the criteria on the basis of which the fund will be distributed among the various activities and therefore various subjects. It is to be hoped that the trade union will want to concentrate its attention on the promotion of culture, protection of the environmental and artistic heritage, educational activities for the young and adults, the development of social spaces, the care of the disabled and the elderly, the reinsertion of the marginalised in the social fabric, aid for immigrants and all the other activities that have been identified as a field of action for the third sector. Nevertheless it will be up to the trade union itself to decide on priorities, modalities, organisational requirements for its action of support or direct involvement.

With regard to the *users* of the Fund's financial services, these are identifiable in two main categories. On the one hand, the Fund will finance services accessible in principle to the public in general. This will represent therefore a contribution offered by the trade unions to overall social well-being. On the other hand, other services will be reserved, in a preferential or exclusive manner, to members of the trade unions, and will be accessible to non-members only in exchange for a corresponding amount that covers the cost of production of the service itself. The majority of the initiatives financed by the Fund will fall probably in this second group, although the trade union associations will be able to decide differently, if they consider it opportune. The Fund is nourished by the workers and it is correct that they are the first beneficiaries, bearing in mind also the duties of solidarity. Among the workers, furthermore, the members of the trade union will have to be privileged, given that the current level of retribution is the product of the negotiations carried out by the organised workers. Moreover the idea of a trade-union Fund should be attractive for the trade unions also because selective access to services financed by the Fund would represent most probably a strong incentive to adhesion.

Towards the redefinition of the role of the trade union in post-industrial society

The creation of an instrument, such as that of trade union funds (with the implications for employment which would derive from it), for the promotion of the "third sector" is based on a general review of the role of the trade union, which seems, however, to still meet with much resistance and misunderstanding, tied up with the conservative spirit which still permeates the structure of the trade-union leadership. It is worthwhile rapidly dwelling on this argument.

In post-industrial society, in fact, the worker finds himself covering different roles, to a much greater degree than before, when the social roles were much more rigid. The trade union cannot fail to reflect on this situation; it must follow the workers who it represents in these new and multiple roles, unless it wishes to run the risk (a risk already experienced by the more conservative unions in the industrial world) of losing the faithful adhesion of the workers themselves.

The trade union is in this way obliged to represent in some way not only the worker as such, but also the worker as consumer, the worker as saver, the worker as user of public services, and lastly (with the expansion of the associative phenomenon which we discuss) also the worker as a member of auto-consuming communities, or rather - which is the same thing - of auto-producing communities, essentially of services¹⁶. The intervention of the trade union in these fields does not imply an incompatible duplication of the social functions of the state, but rather on the contrary a duplication not only compatible but also desirable because coherent with a pluralistic conception of modern political society which has a need to counterbalance the growing powers of the state.

Here it is worth underlining that the spread of the institutional and functional tasks of the trade union slots in to the necessity of managing in some way the containment of a growing (and moreover impossible) "etatisation" by means of the promotion of substitute activities, at the same time both private and collective, outside the market or better without profit-making goals. In other words, it slots in to the growth, already amply described, of the third sector or "Associative Sector".

The trade union would become in this way the promotor of the

¹⁶Reflections similar to ours have been developed in Germany by Claus Offe (1995a, 1995b), from which we have already recalled the warning launched to the trade unions in the course of a recent Forum of the German Metal Workers Union (IG Metall).

development of activities (and therefore of a supply) in the tertiary services and quaternary generators of new occupations (at low capital intensity levels), activities, which in the traditional capitalistic market would not find adequate conditions for development, due to their scarce susceptibility to stimulate entrepreneurialship; while the state could not develop them due to the financial limitations already mentioned.

In this way the trade union (which already represents in its own right an important institution of associative economy) would become the promotor of the development of other institutions of the associative economy itself. And it would furthermore refind a very strong tie with its own origins, which are connected and contemporary with the mutual-aid movements and cooperatives, which become justly considered the forefathers of the third sector.

It would only be a question of relaunching this organic binding together of the three movements (trade unions, cooperatives and mutual-aid "societies") with new forms suited to the new circumstances and to the needs of collective consumption of post-industrial society. A trade union fund for investment (national or articulated on a sectorial or spatial basis), thus conceived and so oriented, would constitute the basis of a specific financial circuit, much more suited for operating in the *non-profit* sector, in as much as it is itself not regulated by the principles and the logic of profit-making as is the ordinary capital market.

Also in this sense, the presence of a European Trade Union Fund, nurtured by collective negotiation and by other forms of collective trade union savings, would be another powerful factor of social and economic cohesion in a Europe with a single monetary and capitals market; and as such it constitutes a beautiful vision of the development of the 21st century.

Trade-union funds and development planning

The entrance in force of the trade unions into the "financing" of social activities should be conceived as one aspect (and only one aspect) of a more general policy aimed at a new model for managing the economy: a model on the basis of which - while leaving the more vast function of "detector" of the preferences of the final consumers to the "market" - it would be organized in a more "negotiated" way and, consequently, in a more programmed way, less casual and less subject to monopolistic and informative distortions, that produce in the market itself the use of the strategic resources of the community, the first ones being: the work, the

environment, and the development of the different productive activities.

Thus, to conclude the report of a study group (of which they were members) formed in 1975 by the Commission of European Communities¹⁷, Jacques Delors, Stuart Holland and the senior author of the present study, "redefining an economic strategy" for the member countries, they urged "principal changes in the institutions"¹⁸:

"The success of such an effort will depend essentially on changed relations between the three main economic and social actors in the present system: government, the trade unions, and the business organizations. It must concern the following new dimensions.

A widening of the scope of negotiations between those involved in economic life, both in terms of content and of those who participate in negotiations. With regard to the content, it is important to take into account not only the role of the direct income of the parties involved (wages and profits) but also distribution (unearned income), indirect factors (taxation, transfers, community services), and qualitative factors (working hours and conditions, decision-sharing within the firm);

A democratization of decision-making, between central and local government, employers and trade unions;

A new institutional framework for negotiation of change....;

A reinforcement of the primacy of political debate and a widening of political decision-making.....;

A new planning framework to help the representatives of the relevant social groups to implement choices once made..." (p.185-86).

In this context, the authors, by designing a new model of development, underlined on the subject of the policy of investments, together with other suggestions, to:

"possibly create a Swedish-style investment fund into which companies would have to pay part of their profits, and from which the resources could be freed only after consulting or obtaining the agreement of the trade unions" (p.189). And by designing the change, they maintained:

"...If progress is to be made in changing the model of development, parallel changes must be made in the access of interested parties to decision-making on change itself. This would mean not only an enlargement of the area for negotiation of change to include wider trade union involvement, but also an enlarged role for representation of consumer groups, regional and local representatives, and so on."

¹⁷"Maldague Report" (European Commission 1976). (From the name of the President of the Group, the then Commissioner of the Plan of the Belgian Government, Robert Maldague).

¹⁸The quotations that follow come from Archibugi, Delors and Holland (1978).

(p.192-93).

All this can be realised by enlarging upon the information and the economic account, in function of the objectives of the project negotiation.

"The enlarged accounts should be made available as a term of reference in wage negotiations and trade union negotiations on working and social conditions, as well a national negotiation of economic policies. This should include annual budgets and medium-term programmes in order to assess performance against objectives: e.g., direct income (before and after taxation); social transfer payment, public and social infrastructure, increased leisure time, the reduction of inequalities; improvement in the quality of life and working conditions; the accounts of central government, local authorities, and social security institutions in order to coordinate their activities and thus eliminate duplication, waste and inappropriate allocation of resources in relation to the objectives pursued; plus the various negotiations about social conditions including employer-trade union agreements.

Not only should the scope of negotiations between government, management and unions be enlarged (by quantifying qualitative aspects as far as possible), but the main objectives and their interrelationships should also be specified and integrated into 'reference tables' to provide a coherent accounting framework" (p.194).

And finally, the viability of small and medium size firms should be improved also by:

"favouring the creation and establishment of new enterprises capable of innovating and responding to the needs of society, and in particular cooperative enterprise owned and controlled by the workforce itself" (p.197).

In these general affirmations of the three authors (as from 1975-1978), a kind of trinomial is gathered, on which a new social policy is designed: 1) the economic programming of societies negotiated by the social partners; 2) self-managing firms for a social aim (third sector); 3) contractual saving and trade unions funds, for investments with a social aim.

The three guidance lines are formed like three aspects of a change in the development model¹⁹.

Appendix: a brief history of the idea of trade-union

¹⁹Further more detailed references to the relationships between collective bargaining, trade unions and economic programming can be found in other works by F.Archibugi during that period (1978a , 1978b, 1981c).

investment funds

The authors of this essay are of the opinion that the idea of trade-union investment funds, in the many forms that they have taken, has represented - and will continue to represent - one of the most promising approaches available to the forced involved in the construction of an economic order that will be able reconcile the needs of balanced economic development with the principles of social equity. For this reason we have considered it useful to give a brief history of the idea, up to its recent conjunction with the problems of the third sector indicated in the previous pages.

In the last forty years numerous proposals have been put forward aimed at creating investment funds which were the collective property of the workers and managed by their trade unions (alone or with other subjects)

In his writing of 1940 *"How to Pay for the War"*, J. M. Keynes proposed the constitution of a fund of "deferred wages", managed by the workers to lower the consumer demand to the level of the production of consumer goods during the war. This "accumulation of working-class wealth under working-class control" would, according to Keynes, have meant "an advance towards economic equality greater than any which we have made in recent times". His proposal was adopted (with a reduction of the recommended amount), but considered strictly a war-time measure, and thus abandoned after victory.

The senior author of this report (in his role at the time as consultant of the Italian democratic trade unions, and president of the economic committee of ORE, the European trade union Organization of the ICFTU [International Confederation of Free Trade Unions]), recommended in 1957 the creation by the trade unions of:

*"fiduciary investment funds, administrated by the trade unions themselves or by credit institutes with the participation of the responsible trade union persons. Into these Funds would flow financial resources achieved at the collective bargaining stage at various levels. Such Funds could issue shares or credit bonds to the workers, either individually or by company groups, as an acknowledgement of their personal contribution to the formation of social capital. Such funds should be employed for productive investments in the framework of the approaches fixed by the planning organs"*²⁰.

In Italy it was CISL²¹ as far back as the 1950s to put forward the

²⁰Archibugi (1957), p. 510.

²¹Which adhered to, and adopted the symbol of the International Confederation of Free Trade Unions (and of which the senior author of this report was at the time in charge of the research bureau). The other Italian unions were at the time affiliated to the Communist

proposal of "contractual saving" to be realized with the creation of a fund into which would flow part of the gains made in collective bargaining. This proposal arose from the opposition to the approach, exemplified by the governmental "Vanoni Plan" (1954-55), which saw the solution to the problem of the insufficient accumulation in Italy in the post-war period in the reduction of salaries to the benefit of the self-financing of businesses and the reinvestment of profits. CISL did not deny that it was necessary to reduce consumption and increase savings, but contested the belief that, in order to achieve this result, it was necessary to shift the distribution of income in favour of profits. The problem of the scarce propensity to saving by workers could be resolved by allocating a part of pay increases to a fund from which to draw in order to finance the balanced development of the Italian economy. The fund would have acted in the shares market according to the modalities typical of the investment trusts, by releasing certificates to the contributors.

Thus CISL proposed from as early as 1956, in a document on the Plan for the development of employment and income, the

"saving of a part, to be established in agreement, of the remunerative improvements and the contemporary designation of these monetary flows towards financial organisms, capable, on the one hand, of efficiently safeguarding, from the patrimonial and income point of view, these savings of the workers, and, on the other, of positively influencing the balanced financing of the system" (CISL, 1956).

In fact, in 1953, the CISL, in a document which was considered fundamental for the following approaches of the trade union, on the appropriate "wage policy" of the trade union, sided for:

"the opportuneness of a national economic policy for an enlightened direction in the usage of the limited capital available, by means also of a qualitative control of investments, or to an appropriate policy of consumption, in the spirit of the maximum and most efficient utilization of national resources and the struggle against all forms of anti-social stagnation and consumption of the wealth available" (CISL, 1953).

And in order to give substance to this policy of orientation of investments CISL decided to form the "contractual saving" system and constitute a Trade Union Fund for investment: as an instrument of this participation in a more organic and "enlightened" plan policy.

In a conference (1958) organized by the CISL, to which were invited the most important public and private figures responsible for development policy, the General Secretary of CISL stressed

World Federation of Trade Unions located in Moscow, and completely oriented to a Marxist-Leninist approach for the unions' role.

"the availability of the workers' trade union for the realization of a wages policy which might stimulate to the maximum extent, by means of a link with productivity and the saving of a part of the wages increases, the balanced and stable expansion of the system" (CISL, 1958).

At that time, CISL's proposal for the realization, on the "private-collective" level (as it was defined) of the savings of the workers had some particular motivations: it was claimed that

"the most problematic aspect of the existing system of financing development was constituted by the excessive concentration of investments, by means of the self-financing, in particular production activities and in particular zones, giving rise to both sectorial and regional inconsistencies, in contrast with a harmonious and general development of the economy" (CISL, 1959).

In 1961, at a triangular conference (called by CISL) the union was able to stress its request for a policy aimed at *"the allocation as savings of wage improvements, and addressing such savings subsequently, by means of special financial institutions, managed with the participation of the workers, to personal investments"* (CISL, 1961) and in 1962 it was deliberated by the CISL a special document which stressed the *"technical-functional aspects to be taken into consideration for the implementation of the policy of contractual saving, starting from the necessary legislative premise for the constitution of a particular investment fund"* (CISL, 1962).

And the contractual saving or trade union fund for investment became part of the constant position of the CISL at the time (from 1964 until the beginning of the 1970s) for a more advanced policy of (socio-economic) development planning, which tried to start up in Italy, with the elaboration of a first five-year national plan and the institution of some agencies to manage economic planning (a Ministry and a Research Institute ad hoc²²). In 1963, however, a group of parliamentarians close to CISL, proposed a bill for the institution of a particular financial organ destined to collect and invest on the capitals market the savings of the workers: this saving would be realized by means of the authority granted to the trade union, after having reached an agreement, that a part of the pay increase would be paid to the workers not in cash, but by means of special certificates for an investment fund²³.

In the project it was specified that the members would have total freedom to refuse such a form of payment, and thus not save a part of the

²²The subsequent stages in the Italian trade unions' positions in favour of economic planning are documented in a volume published by CISL in 1964: *La Cisl e la programmazione dello sviluppo* [CISL and Development Planning] (CISL, 1964).

²³ The CISL published a book on the debate provoked by this debate (CISL, 1965).

increases gained.

"The measurement of the increase quota to be saved - it was specified furthermore in a trade union document dealing with the management policy of this bargaining possibility - will naturally have to conform to the particular category, sector or company conditions, and bear in mind also the economic-financial situation at that particular moment". (CISL, 1965, p.33).

At that time, in Germany as well, the problem was widely discussed of an workers' investment fund. From 1957, B. Gleitze, a trade union consultant, proposed in Germany that it should be obligatory for employers, to pay, in shares or bonds, a part of the profits in a workers' investment fund, but refused decisively the creation of a single central fund. He recommended instead numerous funds which would be in competition, and amongst which the workers could freely choose, or non-competitive ones but connected to an industry or region. A modified version of the Gleitze plan was taken on in 1961 by the German Trade Union Confederation (DGB)²⁴.

In a memorandum published in 1964 jointly by the German Lutheran and Catholic churches the introduction of a workers' fund was recommended, to be established by collective bargaining implemented mainly at company level.

During the same period a "Programme for the creation of a fund by workers in the building industry" (called also the "Leber programme" from the name of the trade union's President), in which it was anticipated that 1,5% of salaries paid would be allocated to an investment fund, which would give the workers special certificates for the value corresponding to the payments carried out on their behalf, as co-ownership shares in the common fund. The sums managed by the fund could be invested in the same company (by means of its shares or bonds) or in other companies in the same sector; and they could be employed for loans to the workers in the sector for the building of a house. The Leber programme included also a whole series of management modalities, in order to guarantee the worker full access to his personal property. Leber (1964) himself wrote:

"Any solution which excludes the trade unions, or any solution by which the trade unions exclude themselves, is in conflict with the law, that is unrenouncable in a free economic order, which allows for the parts in a collective contract to establish freely the working income and conditions ... A solution obtained by means of a contract allows for the maximum practical adaptation to the particular conditions of each economic sector and the coordination between them of solutions for

²⁴ See Brems, (1975) p. 18.

various economic sectors, with an intelligent insertion of the same in a general framework".

The Leber programme received substantial support from the DGB, who declared themselves in favour of a widening of the bargaining object, so as to encourage, on the basis of the contract, the formation of workers' savings to be allocated to productive investments.

In the early 1970s all three major German parties presented projects on investment funds for workers, but the substance of a coalition agreement in this sense established in 1974 was never made law.

At the beginning of the 1960s, in Great Britain as well discussion began about contractual savings, in relation in particular to the risks of wages inflation, rather than for the need to accumulate capital like in Italy. The TUC however were very diffident and prudent on the subject. Very interesting however was a proposal from a trade union expert, Steuer, which aimed at the "automatic regulation of wages" by means of the fixing (with an official body) of a maximum ceiling of "non-inflationist" wage increases, beyond which collective bargaining could still freely take place but on one condition: that once the ceiling was reached, the gains would be no longer paid in cash but rather by a special fund to be set up. The sums would be paid subsequently to the workers, when conditions allowed²⁵.

Similar proposals were made at the same time in France²⁶. Furthermore projects for workers' investment funds were presented by the Dutch trade unions, by the Danish trade union confederation in 1971 and by the British Labour Party in 1973. None of these projects were ever realized however²⁷.

The country that has advanced the most along the road of the practical realisation of the idea of a workers' investment fund is without doubt Sweden. The vast discussion around this theme, that was not limited to the trade unions and the Social Democratic Party, culminated in the report prepared in 1975 by Rudolf Meidner and his collaborators, commissioned by the Swedish Trade Union Confederation (LO), and that at the LO Congress in 1976 was accepted as the basis of further Trade Union policy.

"The modus operandi of employee investment funds can be described quite succinctly in the following terms. The ownership of part of the profits which are ploughed into an enterprise is simply transferred from the previous owners to the employees as a collective. A proportion - we propose 20 per cent - of the profit is set aside for the employees. This money does not however leave the business. Instead, a company issues shares to that amount, and these are transmitted to the employee

²⁵See Steuer (1962), p.250.

²⁶See for example Walter (1964).

²⁷Brems (1975).

fund"²⁸ In the original intentions, the workers' fund should have served to resolve the problem of the extra profits earned by a part of the Swedish industries as a consequence of the solidaritarian wage policy practised by the trade unions from the 1950s. Very soon the idea acquired an "anticapitalistic" significance, and was strongly opposed by the entrepreneurial associations and by the non-socialist parties. After its return to Government, the Social Democratic Party introduced the workers' funds in 1984, however, in a very "watered-down" form (R. Meidner) and largely symbolic with respect to the trade union project. Five small regional funds were created, financed by a tax on extra profits and used to acquire shares on the stock market. The funds should have been annulled after seven years, and at the end of that period, in 1991, the funds covered less than five per cent of the total value of the Swedish stock market²⁹.

As a whole, the debate about trade union funds for investment that developed in all European countries, and also in the USA, between the 1960s and 1970s, assumed forms that are distinguishable with difficulty from the older schemes of "workers' shareholding" that pervaded social reformism during all the first half of the century³⁰. Certainly the role of the trade unions and collective bargaining was often encouraged in a rather more obvious and important way with regard to the previous schemes of workers' shareholding and to the movement for "profit sharing" that in the same way in the past had tried to be introduced as a reform of the "pure" system of the capitalistic firm. However, this trade union role, although present, as has been seen, in nearly all the examined proposals, was never well defined. Above all, the tendency was always latent - even on the part of the trade unions who were encouraging it - to recognize the system by state laws, and the funds thus created, nearly like a juridical extension, using a kind of "recognition", and, in consequence, "protection", on the part of the public powers, of the eventual bargaining initiative. In short, it

²⁸Meidner (1978), p. 47

²⁹Meidner (1993), p.221-225.

³⁰Concerning the history of models of workers' shareholding and profit-sharing see Poole (1989). We note that these models have in recent years attracted again a great deal of attention, which has manifested itself in a great deal of literature on the subject. Amongst the numerous accounts, see the influential volume by Weitzman (1984), as well as Bradley and Gelb (1983, 1986), Fitzroy and Kraft (1987), Meade (1989) and the special edition devoted to "profit-sharing" of the *International Journal of Industrial Organization* (Vol. 6, 1988). But above all see the PEPPER report prepared by Milica Uvalic for the European Commission (DG V), which gives a wide-ranging overview of the state of profit-sharing of employees in various countries of the European Community (European Commission 1991). The PEPPER report also contains a useful bibliography on these themes.

seems as if the trade unions did not wish to assume the responsibility of the bargaining initiative per se and as a whole on the subject, either towards the counter-party bargaining (the employers) or towards the same associates themselves.

It was exactly in this spirit that the primitive CISL proposal of the 1950s, already slightly corrupted in the 1960s (with the "parliamentary" bill of the pro-labor Members of Parliament), was completely distorted in the 1970s with the explicit request for a law that would "tax" salaries and contracts in the entire country by 0.50% with the creation of a Fund - moreover, managed in a tripartite manner (Government, employers' organizations and workers), that, although called of "solidarity", would really assume the character of a normal public financing institution for investments, and would thus completely lose the concept and character of savings that are calculated case by case by the bargaining activity, modelled in a flexible way in harmony with the different circumstances, and finalized as a whole by the participants in "mutual" behaviour in the social investments sector.

On this subsequent occasion, the senior author of this report, who was the inspirer of the Cisl primitive wage and bargaining policy (in the 1950s), recommended yet again - in numerous interventions during the heated debate that took place in Italy in that period³¹ - that the trade union should declare its availability:

*"to assign all renewed contractual wage increases (except some eventual exceptions) to a National Fund for employment development, created by the same trade unions. In this way one would be certain that the sacrifices that workers would make in terms of unspent wages would surely be transformed into savings and investment"*³².

These investments should have been conveyed above all to other social sectors, such as building, transport and computer services. This policy should have been accompanied by a:

"bargaining campaign for the reduction of the length of the work year and work day (from 40 to 36 weekly hours, with possibly the introduction of shifts, and also the acceptance of shorter lengths (4 hours daily) at a proportionally reduced wage" ³³.

In comparison with the hypotheses put forward about the role of trade unions and their status in a "Solidarity Fund", two basic points are confirmed:

³¹A good echo of the debate can be the collection of opinions on the theme, *"Controllare l'accumulazione"* ("Controlling Accumulation"), published by Edizioni Lavoro in 1981 (Merlo 1981).

³²Archibugi (1978a), p.195-196.

³³Archibugi (1978a), p.200.

