Chapter 6

Workers’ Participation at Malta Drydocks: End of a Saga?

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The Setting

Throughout its colonial history, Malta has been ruled by a succession of powers that tried to exploit its strategic position in the middle of the Mediterranean. To the inhabitants of an island that lacks any exploitable natural resources, being subjected to the rule of a foreign power seemed to be fore-ordained. This fostered a culture of fatalism and a sense of powerlessness among the Maltese since their destiny was tied to the designs and policies of the colonial power governing the island (Zammit, 1984).

Being a naval power, the British (1800-1964) developed a naval dockyard during their rule and improved the berthing facilities of the island’s main harbour. This investment, together with the presence of the military and air force personnel, provided a source of livelihood to a sizeable number of the Maltese population. However, this livelihood was regularly threatened whenever the British Government was forced to cut expenditure in stringent economic times. Following the nationalisation of the Suez Canal in 1956 by the Egyptian Government, the British Government announced drastic reductions in its annual financial vote to Malta and even threatened to close down the Dockyard which at that time employed about 10% of the Maltese labour force. Once Britain was losing its status as a super power the vulnerability of the Maltese economy was becoming very precarious.

In 1959, the first development plan was launched to diversify
the island's economy and make it less dependent on the largesse of the British Exchequer. With the attainment of independence in 1964, this drive towards economic diversification was stepped up with the development of the tourist industry and expansion of the manufacturing sector. Though registering sustainable growth, the Maltese economy was however still dependent on the sum of money which Britain agreed to pay for the use of its base in Malta and on the employment of many Maltese workers with the British services stationed on the island.

The main objectives of the newly elected Labour Government in 1971 was to obliterate this fortress status and render Malta's economy dependent on productive work. To accomplish this task of achieving self-reliance it pledged itself that, while seeking new directions in the economic field, it would concurrently adopt a new form of industrial relations. In its endeavour to create this form of labour relationship, the Government engaged itself:

"... in a search process for the establishment of a new social basis of authority relations, one that should replace the old power structure based on economic dependence and the pursuit of economic gains which had manifestly broken down" (Zammit et al., 1982, p. 6).

In this search exercise, workers' participation featured prominently. Indeed, in the restructuring exercise of the 1970's, workers' participation was earmarked to play a leading role in the objectives set by Government to achieve self-reliance.

With its traditional highly unionised and militant workforce, Malta Drydocks provided the ideal setting for launching a worker participation scheme. The Drydocks was originally a naval dockyard base for British warships and was converted into a commercial enterprise by the British Colonial Government in 1959. A British firm, Bailey & Co., which was granted a loan of £Stg 6 million, was appointed to run the Dockyard. Following a dispute between the Colonial office and the firm about the utilisation of funds, the Drydocks was offered to another firm, Swan Hunter. In 1968 the
Malta Drydocks Act was passed in Parliament through which the Maltese Government became the sole proprietor of the Yard (Malta Drydocks Act 1968).

The General Workers' Union (GWU) had represented the Drydocks workers in its tough negotiations with the Admiralty, who had been an employer with no commercial interests. It had thus managed to obtain relatively high wages and good conditions of work for the Drydocks workers. It was feared that, since the Drydocks was now being run on commercial lines, the GWU would no longer be able obtain such good deals. Nevertheless, the GWU was in no mood to compromise. "Right from the start, management found a hostile and dissatisfied labour force" (Kester, 1980, p. 43). This hostility showed no sign of abatement after 1968. The strife that ensued between labour and management due to this hostility very often resulted in industrial actions. Prior to the 1971 election, the Drydocks workers engaged in a dragging seven-month partial industrial action that brought the whole enterprise to a virtual standstill. The dispute was about the adjustment of the wages of the industrial workers to bring them in line with those of the non-industrials who had been granted an increase in their salary following the signing of a collective agreement. The Malta Labour Party (MLP), then in opposition, promised that, once elected, it would try to find a new solution to such perennial conflictual relations. Indeed, soon after assuming office after the June 1971 election victory, the Labour Government set up a Board of Directors made up of three officials of the trade union representing the workers at the Dockyard (the GWU) and three members appointed by Government. The chairperson was to be appointed by Government but, in the choice of George Agius, the chair was acceptable to both sides. The industrial peace ushered in by this system enabled the Drydocks to attain a profitable trading position for the first time in its history in 1973-74. The prospect of a viable economic Drydocks induced the Government to translate its socialist principles into action by making the Drydocks a self
managed firm. In other words, the control of the enterprise was to be transferred to a board elected directly by the workers. The Malta Dockyard Act (1968) was amended accordingly. By adopting this policy the Government felt that it was laying the foundations for a new form of labour relations. Malta Drydocks was to act as a model to demonstrate that there is a different way of managing a firm.

Meanwhile the Government explicitly stated that it had no intention of interfering in the affairs of the private sector (Kester, 1980, p. 119). Rather than providing a legal framework binding the private sector to introduce workers' participation the Government preferred to adopt a two-pronged approach in order to put into practice the principles of industrial democracy. One approach was the setting up of workers' committees in all the departments of the public service, which were to act as strategic instruments for the transformation of power. The other was a state initiative to introduce the principles of worker's participation in the management of those enterprises where the state had a controlling interest. Once these firms become economically viable, they were to be run on a self-management basis.

Thus, by the end of the 1970's, almost “one third of all wage and salaried earners” were enjoying some form of participation at their place of work (ibid., p. 155). This new scenario was supposed to do away with the ‘us-them’ dichotomy and render industrial relations more peaceful. Malta Drydocks was offering an alternative way of how a firm could be run and was to act as a model for other enterprises to follow. The Government felt that it had laid a solid foundation for the growth and expansion of a completely different form of industrial relations based on collaboration and trust rather than on suspicion and conflict. Government was hopeful that an enhancement of participatory experiences could bring about structural change in the economy and in the national culture that would make the desirable but painful road towards self-reliance much smoother (Development Plan 1973-1980). The course of
events, however, did not help to transform such hopes into reality. The actual events that unfolded did not only stall the participatory scheme but reversed the whole process in the three areas where the Government tried to launch its workers' participation project - namely departments in the public sector, state-run or controlled industries and Malta Drydocks. Why did these attempts fail? What follows is an informed and critical answer to this crucial question, based on direct references to these three experiences of workers' participation with the advantage of hindsight.

**Workers' Committees in Government Departments**

In 1977, Government launched a programme to set up workers' committees in every Government department in order to give a new impetus to workers' participation. According to the Regulations of Workers' Committees (1978) these were to serve as advisory bodies composed of directly elected workers' representatives. Their brief was:

"... to give advice on matters which will improve the position of the worker at his [sic] place of work and to give advice to the Minister responsible for their organisation, when long term or short term plans, and financial or physical programmes are being discussed and/or prepared" (Regulations of Workers' Committees, 1978).

These Committees were defined "as a necessary tool to develop their [workers'] potential and personality" and the best means "to increase the dignity of the worker and to avoid hardships while increasing efficiency" (ibid.). By the beginning of 1979, there were 63 workers' committees in the public sector. Moreover, in the Education Department, school management committees were set up in 11 schools to act as a testing ground for the further development of such worker participation. In spite of these positive signs, however, this venture failed to mature and achieve any of its
objectives.

Why did this happen? These workers' committees were introduced at a time when Government had a long drawn out dispute with the Confederation of Malta Trade Unions (CMTU). The CMTU mainly represented non-manual workers such as civil servants, teachers, bank employees, nurses and other related staff workers. Meanwhile, the largest Maltese trade union, the General Workers' Union (GWU), did not form part of this Confederation. In these tense circumstances, rather than lending support to the CMTU-affiliated unions, the GWU aligned solidly itself with Government. This intensified polarisation on the political front as each of these two trade union movements, each backed by one of main two political parties on the island, started hurling accusations at each other. Elections to the workers' committees, used by each trade union as a test of its strength at the place of work, were soon rendered contests of partisan loyalty and support.

The way each trade union mobilised its members - advising them to resort to block voting - created a tense atmosphere. The coverage given in the press to these elections, especially by newspapers which acted as organs of political parties, added fuel to this tension. Rather than engendering mutual trust, these workers' committees ended up giving rise to deep-seated suspicions between public sector employees and senior Government officials. The trade unions in dispute with Government suspected that these committees were being used as a tool to circumvent potential strike action. On the other hand, Government accused these unions that they were using these committees for their self-aggrandisement rather than to enhance participation. Once their term of office expired in 1979-1980, no fresh elections for workers committees were held. There was never any outcry from either side for their resuscitation. The scheme seemed to have been scuppered at the outset.
Parastatal and Peoples' Industries

The participation by the State in the labour market along with the private sector was considered by the Malta Labour Party (MLP), then in office, to be one of the tenets of a healthy, mixed economy. The Malta Development Corporation (MDC), whose original aim was to promote investment in industry, became a stakeholder. Most of the industries that it fully or partly owned, were rescue cases of industries in difficulty. By the beginning of 1978, the MDC owned nine enterprises and had a majority shareholding in another ten. In its bid to disseminate industrial democracy the Government turned to these industries, now defined as Parastatal and People's Industries (PPI), to experiment with workers' participation. A Ministry specifically established for this industrial sector was assigned the task of making this system economically viable and introducing workers' participation.

A directive from the Prime Minister obliged these industries to appoint a management committee and a workers' committee. The former was to be made up of managers and workers whereas the latter was to consist exclusively of workers. The workers were also given the right to elect a representative on the Board of Directors. The idea was to create a cluster of firms in the manufacturing sector that were to be run differently from the conventional management style.

However, the rationale of the manufacturing sector, unlike that of the public sector, is to maximise profit. The success of a manufacturing firm very often depends on its professional management, its technical expertise and market know-how. The Parastatal and Peoples' Industries (PPIs), most of them taken over by the MDC to rescue them from bankruptcy, seemed to be lacking on all these counts. In order to upgrade their economic performance and profitability the Government sought partners for joint ventures from Europe and the U.S.A. (Kester, 1980, p. 188). It was regrettably concluded that, if workers committees would prove to be a stumbling block for negotiation of a joint venture agreement,
they would have to be disbanded. The dream of creating a niche in the manufacturing sector run by workers was becoming difficult to actuate. The whole PPI structure was reassessed and eventually its Ministry was discontinued and became part of the Ministry of Industry. The ideals of workers' participation had to give way to the pragmatic dictates and constraints of the economic market. Technocracy had to prevail over democracy (Zammit & Baldacchino, 1988, p. 4).

Nevertheless, the winding up of the workers' committees did not bring about the termination of workers' representatives on the boards of the Parastatal and People's Industries. In some of these, the worker director on the board was retained1. With the exception of Malta Shipbuilding, all these worker directors were usually appointed upon nomination by the trade union, which in all cases was the GWU (Zammit & Baldacchino, 1988, p. 5). The fact that there was no legal provision for the workers representative to sit on the board of Directors was to lead to an open confrontation between the GWU and Government.

After the May 1987 election, won by the Nationalist Party (NP), the new composition of the Board of Enemalta Corporation, a state owned electricity, gas and oil supply organisation, did not include a worker director. The GWU protested vigorously and even filed a judicial protest in the Civil Court claiming that this omission was a breach of the collective agreement. The Government replied in a counter statement that the law gave it vested powers to nominate the Corporation's board. The Government even refused to appoint the GWU nominee on the Board of Telemalta Corporation, a state owned broadcasting and communications company.

1 A worker director was retained on the boards of: Bank of Valletta; Telemalta; Enemalta; Magnumvision; Marsa Shipbuilding; Construction & General Engineering; Tag Malta & Air Malta. See Zammit & Baldacchino, 1988. (See also Appendix)
Still, Government informed the GWU that it was willing to have a worker director on the board of these two corporations, as long as the workers' representative was elected by the employees. Following protracted negotiations between the union and Government, it was agreed to revise the legislation regulating the election of worker directors on the boards of these two parastatal corporations. Experience has so far shown that a worker needs the support of the union in order to be elected as a director representing the workers. Indeed, the elected workers directors have generally been trade union activists. Their election is heavily influenced by the block vote of the specific union membership.

In 1988, a federation of worker directors was set up. One of its aims was "to assist workers in enterprises where there is as yet no worker director, so that these workers will also have their representative on the board" (Statute of Worker Directors, Article 3d). Rather than pursuing this aim, the federation seemed to be more intent on combating the forces it perceived to be threatening the system and principles of workers' participation. Although workers representation on the board of directors survived as a form of workers participation, the number of worker directors did not increase.

An attempt was made in 1997 to increase the number of worker directors. Following the re-election of the Labour Party to office in 1996, the then Minister of Economic Affairs expressed the intention of the new Government of appointing more worker directors on Government owned enterprises. This Minister appointed a Consultative Committee to devise a code of practice for worker directors (Rizzo, 1997). The code, submitted in 1997, has not been given any formal endorsement and remains shelved.

In 1999, following the take over of Mid-Med Bank (where the state had majority share holding) by HSBC, no worker director was appointed on the new board.

In comparison with these corporations the Drydocks, run by a board of nine directors all elected by the workers, appeared to be
an inimitable case of workers participation. However the turn of events towards the end of the 20th century were to make the system of workers’ participation in this enterprise similar to that of the parastatal and public corporations.

**Malta Drydocks**
The Drydocks was supposed to act as a model of a viable enterprise run on democratic lines. The early phase of its participatory experience was promising. During the financial year 1973/74, two years after the introduction of the co-determination system, it managed to register a profit for the first time in its history as a commercial enterprise. Though this profit was a modest one it was considered to be a remarkable achievement since in the previous years when it was managed by two British firms it had registered hefty losses. Following this success, the emboldened Maltese Government decided to pass on the Drydocks to the workers. The affairs and business of the Drydocks were to be conducted by a council which:

“... shall consist of nine members of which eight shall be elected by the employees of the corporation in manner provided by this Act, and the other member, who shall be the chairman, shall be appointed by elected members (Drydocks Amendment Act 1975, Article 3).

In 1978, industrial democracy was further extended by the setting up of workers’ committees in each of the eighteen departments of the Drydocks. These workers’ committees were to act as a liaison between council members and workers and to help the respective Departmental managers in the coordination of work. This move together with the highest profit ever recorded (Lm 1,333,312) in 1981 seemed to have consolidated the self-management system at the Yard. A staggering 88% of the workers polled in a sample survey in 1982 expressed their general support for the participatory system (Baldacchino, 1984). In elections held to elect the Drydocks
Council, there was a consistently high turn out.

But things soon took a turn for the worse. In 1982, the Drydocks plunged again into loss. The losses became chronic and reached a hefty Lm 12,516,000 in 1995. The enterprise had to rely on heavy state subsidies to survive throughout these years. The justification or otherwise for such transfers became one of the main topics of the media debate. The detractors of workers' participation focussed on the political overtones of the self-management system at the Yard, which, they maintained, were precluding the firm from operating on sound principles of cost effectiveness and efficiency. They further argued that, once the Drydocks had become dependent on state subsidies for its survival, it had become a burden to the Maltese taxpayer.

In 1989, in an agreement signed between the Nationalist Government and the Drydocks Council, a generous sum of money was assigned to the enterprise to restructure and become viable within ten years. However as this 10-year period was nearing its end, there seemed to be no signs of recovery as the losses continued to accumulate. In 1996 the newly elected Labour Government commissioned two reports - one on the financial situation and the other on the management system of the enterprise (Cassar White, 1996; Baldacchino, 1997). The damning and adverse comments made by each of these two reports on the management system at the Drydocks prompted the Government to take drastic action.

Subsequently, in 1997 the Government moved the amendment to the Drydocks Act by means of which the Council of the Yard was to be formed by four members appointed by Government, four members elected by the workers and a chairperson appointed by Government. In 2000, in an agreement signed by the General Workers' Union (GWU) representing the workers at the Drydocks and the new Government (the Nationalist Party, back in power after a snap election in 1998), it was decided that there would be only one workers' representative on the Drydocks Council. The rest of the Council members were to be appointed by Government.
The reversal of the self-management system, which sounded the death knell of the dream of workers' participation, can be attributed to factors external to the Yard as well as internal. The losses incurred by the Drydocks can be attributed mainly to the international market, which in the ship-repair industry has for long been characterised by over-capacity and high competitive pricing for work. Even in 1959 when the colonial government offered the running of the yard to several large British firms none showed any interest. Bailey and Co. (who eventually took over) was a relatively modest firm by British standards. Thus the Drydocks Council, made entirely of workers elected by their fellows, undertook the daunting task which reputable British firms were reluctant to assume. So workers' participation cannot be entirely blamed for the lack of profitability of Malta Drydocks.

However the internal factors at the Yard militated against efficiency and good management. The worker committees set up in 1978 usurped the role of the shop steward and the Department manager. Rather than helping management in its coordination task, they tried to take over from management so that a 'cold war' ensued between management and the worker committee members. (Baldacchino, 1997, p. 14). In order to enhance their popularity with their fellow workers elected Council members tended to side more with the latter than the former. Professional managers felt that they were being bypassed, overruled, disarmed and dishonoured (ibid., p. 21).

It seemed that the power gained by workers was being used more to further their self-interest rather than the well-being of the firm. Indeed, resorting to overtime had, in 1995, constituted 30.8% of the total labour costs: an unacceptably high figure. Management prerogative on this issue had been taken over by trade union officials, who set up a roster system to distribute overtime equally among workers. This resulted in unnecessary hours of overtime. Due to trade union power and practice, the firm's labour costs were relatively high, and becoming higher, in relation to many
other shipyards in Europe.

Thus, the self-management system at the Drydocks did not help to mitigate the ‘us-them’ dichotomy between workers and managers. The power gained by the workers was at the expense of the managers who, on seeing their authority being heavily undermined, became indifferent or left the Dockyard in search of alternative employment. Furthermore, the system did not render the firm more cost effective. Those who had been championing the cause of workers’ participation felt disarmed at the arguments propounded by the system’s detractors.

Following the publication of the two reports on the situation at Malta Drydocks, the editorial of a local newspaper highlighted the precarious financial situation at the Dockyard and its ineffective managerial system. It stated that “the experiment has cost the nation dearly” (The Times, 19th February 1997). In another local English weekly newspaper, a correspondent lambasted “the myths of workers’ participation” and stated that “workers’ participation has failed as much as communism and extreme forms of right and left wing socialism” (Malta Business Weekly, 13-19 February 1997).

**Conclusion**

From the vantage point of the present, Maltese experiences of workers’ participation over the last 30 years have been a string of abortions and miscarriages. Promoting a gradual and flexible solution to practical issues was considered to be the most pragmatic approach towards instilling an ideology of workers’ participation. Implicitly, it was believed that a pragmatic strategy of participation devoid of ideology would make it less susceptible to criticism.

However, this approach did not manage to overcome the lags inherent in a culture of powerlessness and low self-esteem bred through years of colonial rule. Many Maltese realised that one way to beat this subjugation was to turn to social networking. Once the resourcefulness of the Maltese was directed towards building
alliances and seeking opportunities through which they could gain advantageous positions, clientelism and patronage became ripe. Workers' participation might have been perceived by some to be one of these means and opportunities. There seems to be tangible evidence, at least from the Drydocks experience, that support for workers' participation sprang out more from personal interest than from ideology. Excessive self-interest may have seriously impaired the growth and development of such an innovative experience of workers' participation.

To add to this cultural lag, the political climate was not conducive to the promotion of workers' participation. Although Malta has been spared the internecine conflicts originating from religion and ethnicity, divisions among the Maltese exist. In an island microstate, these divisions tend to “sharpen because of the pervasive and more emotional nature of relationships in a small society” (Richards, 1982, p. 160). These sharp divisions are clearly manifest in the political field, giving rise to heated rivalry between supporters of the two main political parties, which in the post war period have been jostling for power. The difference between these two parties amounts to a few thousand votes. This has sparked a high level of polarisation in politics where any issue easily develops into a major confrontation. In such a scenario, it is often difficult to distinguish between a social, interpersonal or political issue.

Workers' participation was not spared from this open confrontation. Inter-trade union rivalry, which is often viewed as a re-enactment of the polarisation on the political front, was one of the factors that led to the demise of workers’ committees in the public sector. In both the Parastatal and People's Industries and the Drydocks, such a climate did not prevail since the workers in these enterprises belonged largely to just one trade union, the General Workers' Union (GWU) which was an ally of the political party, the Malta Labour Party, then in office. Yet, this support of the GWU towards the system was interpreted as an attempt to justify its collaboration with the Labour Government, rather than
induced by a strong inherent belief in the system.

It must also be stated that the Labour Government's zeal for reform was being viewed by a large section of the Maltese as a plan to uproot the traditional Maltese values and infringe upon the authority of such institutions as the Catholic Church. Workers' participation might have therefore been perceived as part of a package of communist-inspired reforms based on Marxist dogma. The situation at Malta Drydocks did not help to dispel such notions. Rather than serving as a model of workers' participation, the Drydocks was seen as a subsidy-addicted enterprise annually draining the Maltese coffers of millions of liri. The continuous sponsoring by the State of workers, whose militancy and belligerence were not savoured by a large section of the Maltese, was seen as a political game seeking to secure industrial peace.

Thus, in spite of the initial euphoria of the seventies, workers' participation failed to maintain the upsurge in interest. The high-trust relationship, which it sought to establish, failed to materialise both at the Drydocks and in the public sector. Perhaps the piecemeal and haphazard way in which it was introduced was its own undoing. There were no structured and sustained educational programmes to make workers and managers aware of the responsibilities of worker participation. The way each side, driven by the self-interest of its individuals, tried to manipulate the system to its own advantage made workers' participation look more like a blatant struggle for power than as a tool to enhance the dignity of work. Gerard Kester, international expert on the implementation of industrial democracy, had this to say to an audience of worker leaders from Malta Drydocks in 1995:

"The real challenge is to make an economically viable system; to make sure that salaries are the fruit of the performance of the enterprise itself and not a function of a political game. The political game is a very dangerous frame of reference; that game may suddenly have other rules and then you could be the loser" (Rizzo, 1996, p. 53).
Of course, the system has also to be analysed in the context of the economic constraints of a small, resource-poor island state heavily dependent on foreign investment. The Labour Government directed its policy of workers' participation in those areas which were not likely to cause any flight of capital. When forms of workers' participation were deemed to offer obstacles to foreign direct investment, they were summarily discontinued. The Drydocks was a unique case. Had this commercial enterprise, which is socially owned, demonstrated that workers' participation is conducive to higher productivity and a sounder financial position, then the case for workers' participation would have been stronger.

This demonstration effect was not forthcoming. The self-management system in this enterprise did not prove to be dynamic enough to deal in a forceful and effective way with the vagaries of the market. With a lack of vision and maybe shorn of the will to tackle the serious problems threatening its economic viability, along with a sidelined and demotivated management team, the Drydocks Council continued to recycle the same old ideas rather than taking initiatives to innovate and branch out in other areas as it had been advised to do. When in 1980 a reform committee was set up by the Prime Minister to offset anticipated losses, there was a strong reaction from workers. This reform committee was eventually wound up and its function of devising schemes towards greater productivity was entrusted to Council members. However, these members were not keen on taking unpopular measures; being more intent on maintaining their popularity so as not to jeopardise their prospects for re-election. These reactions and practices did not help to boost the financial position of the enterprise; nor did they boost the credibility of self-management.

Thus, few tears were shed when this self-management system, which had been in operation in Malta Drydocks for 22 years (1975-1997), was dismantled.
End or Beginning?

Is this the definitive end of a saga? In recent years, we have been witnessing a new upsurge of worker participatory initiatives, this time promoted and supported by the social policy *acquis* of the European Union at a regional level and by human resource management practices at enterprise level. The declared intentions of removing the ‘us-them’ attitude and maintaining industrial peace are now also accompanied by attempts to allow workers to involve themselves in the running of their organisations and thus contribute more fully and in a more committed way, to their performance and competitiveness. Such initiatives are now driven by management. Trade unions find themselves wary, suspicious and even cynical in relation to such a reversal of roles. A critical assessment of these new initiatives in worker participation within the Maltese economy is certainly timely.
References


