

WAGES POLICY AT MALTA DRYDOCKS: ANALYSIS OF AN AMBIVALENCE

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INTRODUCTION

Relatively high and fixed wage rates in a self-managed firm operating with chronic non-profitability may read as economic nonsense.¹ This is however the present reality of Malta Drydocks, and a matter which has been for some time at the forefront of public debate. Unfortunately, the argument has been both simplified and polarized by partisan statements, making it difficult to break through the clichés and to seek an objective analysis of the situation.

This paper attempts to serve as a valid contribution towards a cool, dispassionate discussion of the Drydocks condition. It probes into the apparent ambivalence which surrounds the sensitive issue of what is herein referred to as 'wages policy' – namely, the determination of wage rates and wage structures and their relationship to enterprise productivity and profitability.

Malta Drydocks has been subjected to regular monitoring and research during its period of participatory management.² The emphasis of such analysis has however tended to focus on the *social* consequences of worker participation and on worker perceptions. The element of wage policy *per se* has so far only been considered within the subjective framework of relative deprivation.³ The utter absence of a formal, academic contribution to this specific topic may be taken as a strong indicator of the field's sensitivity.

The paper's first task is to present a preamble into the specific historical processes which moulded a peculiar cultural condition at Malta Drydocks. A series of incentives and disincentives towards increased productivity are next posited but the emerging policy recommendations are confronted with the cultural syndrome to gauge their acceptability and therefore the likelihood of implementation. All in all, the paper hopes to provoke a wider awareness of a veritable 'hot potato', suggesting the poverty of a pure economic analysis. This is handled squarely within the spirit of an overall development strategy.⁴

A CHEQUERED HISTORY OF ACTIVISM

Research has identified that industrial workers in shipbuilding and

shiprepair traditionally exhibit a high degree of union consciousness and militancy. All over the world, dock workers are more prone to be organised in trade unions and are more liable to be aggressive in the pursuit of their demands.⁵

Such a universal condition may be attributed to a cluster of factors: The relative physical concentration of the workforce in a clearly defined territory with a visible demarcation from the world outside generates feelings of self-identity, ethnocentrism and camaraderie; the contact with sailors and passengers from foreign ships also increases the opportunities to interact with new, progressive ideas. The relatively highly skilled composition of the workforce also increases its lobbying power in negotiations.

The same conditions have applied to the workers at Malta Drydocks. When the first proper drydock was constructed at the head of Dockyard Creek in the 1850's, the average annual income of its 360 officers and men was already about £38 – which compared very favourably with the £25 earned at the time by a local University professor.⁶ In 1884, an attempt at forming a Workers' Union by Dockyard fitters was somewhat premature in relation to the social and religious climate of the period and the organisation was happily accommodated into its social environment as a mutual aid society for the sick and needy.⁷ Following the effects of *Rerum Novarum*, a social context less hostile to trade unionism saw the proliferation of various worker organisations. Amongst these was the Imperial Government Workers' Union, organised by a certain Henry Ear in July 1916. Composed of Dockyard workers, it was kept alive and strengthened – numerically and ideologically – by English employees brought over in the period.⁸ A strike was called by the IGWU in May 1917 and was settled in the workers' favour, securing a 50% pay increase instead of the 10% first offered. Another union with considerable membership from dockyard workers, Branch No. 3 of the Workers' Union in England, was established in 1920 and was instrumental in laying the basis of a Maltese Labour Party.⁹

The General Workers' Union (GWU) was founded in 1943, also with a substantial membership and leadership of Dockyard workers. In the same period, and in spite of harsh warnings against industrial action in a state of war, dockyard workers went twice on strike to press for war bonus increases. Other, violent industrial actions took place in 1947 concerning demands for a five day week and again in 1958 concerning the sudden, proposed rundown of the British Services from Malta, following which the Dockyard was transferred to a private, British commercial firm.

Such a chequered history of industrial activism and unrest reached a veritable escalation in the late 1960's: A successful export – oriented

industrialisation policy and a construction cum tourist boom led to a nationwide strong demand for labour, reversing the pessimistic economic projections of the U.N. Stolper Report. The bargaining position of Maltese labour thus improved considerably, resulting in substantial wage increases.¹⁰ A policy of bipartite industrial relations revolving around enterprise – based collective bargaining, however, led to a widening of income differentials. Thus a high degree of industrial unrest was fomented by certain sections of the labour force due to the perception of relatively better financial gains made by traditional reference groups and ‘wage leaders’: Those workers in public sector employment and those with the British defence establishments (See Table 1).

TABLE 1: Industrial Action in Malta (1960 – 1973)

Year	No. of Work Stoppages	No. of Workers Involved	No. of Striker Days
1960	8	6277	37676
1961	3	514	20426
1962	2	140	338
1963	6	7082	8605
1964	0	0	0
1965	3	687	4154
1966	9	615	11599
1967	8	7838	27314
1968	19	21220	58333
1969	17	5892	41445
1970	26	23979	148499
1971	27	2577	24513
1972	42	11999	14677
1973	60	12513	42300

Source: Labour Reports, Dert. of Labour, 1960 – 1973.

The Dockyard workers were not aloof from this general wave of relative deprivation. In their special case, the deprivation felt was more due to a perception of *internal* relativities. Disputes and industrial unrest had been taking place sporadically at the enterprise since its conversion into a commercial concern.¹¹ After nationalisation by the Maltese Government in April 1968, a first collective agreement for the (now Malta Drydocks Corporation) industrial workers was agreed to. In 1969, however, a second different agreement for non-industrial workers created differentials unacceptable to the Drydocks (Metal) Section of the GWU, representing the industrial workers. The GWU submitted a counter – proposal, which sought wage increases for the industrial workers ranging from 47% to 63% in March 1970. Negotiations reached a deadlock in November, leading the GWU to resort to industrial action: The result was an overtime ban with a strike by fifty workers in key trades which

brought the Drydocks to a seven-month standstill. The workers felt relatively secure in pursuing their industrial dispute because the Prime Minister at that time, Dr. G. Borg Olivier, had given assurance that 'no matter what happened at Malta Drydocks, nobody would lose his employment'.¹² In March 1971, with general elections looming three months ahead, Drydocks Management conceded to give the parity which the GWU was demanding for industrial workers. However, the union refused to accept the offer because this was tied to concessions intended to increase labour flexibility between trades.

The 1970-71 industrial action at the Drydocks has probably been the most economically damaging industrial dispute in Malta's history as an independent nation. It involved the island's largest enterprise, its traditional working class stronghold, its largest workforce (then 6% of the total labour force) and the largest single earner of foreign exchange. Its contribution to the change in government following the outcome of the 1971 general election is believed to be substantial. The Drydocks crisis was one major issue in the election campaign and was conducive to ushering in a form of workplace democracy in the Drydocks' management.¹³

WORKER PARTICIPATION AS THE ULTIMATE PRESCRIPTION

Participatory industrial relations were bestowed onto the Drydocks 'from above' as an *ad hoc* attempt at grafting profitability and a harmonious industrial relations climate to an enterprise which, in its long history, had not known either one or the other. This, of course, was not an exceptional circumstance: As long as the Dockyard was run by the British Admiralty, there was only emphasis on the quality of output, and hardly any interest in cost-benefit analysis on the part of workers, their management or even the colonial power as shipowner. With the transfer to commercial work, management sought to exercise new, different pressures to turn the Dockyard into a financially viable undertaking. The workers could not however be won over to collaborate, especially once management proved ready to accede to wage demands in the face of sufficient pressures. This acted as an incentive for still further industrial action and reinforced the tradition of antagonism.¹⁴

With the prospects of a change in government in 1971, the GWU could not possibly maintain an antagonistic role in relation to its political partner, the Malta Labour Party (MLP), if and when the MLP would be in power and therefore assume the responsibility of managing the nationalized Drydocks. Some form of participatory management appeared to provide the elusive answer to industrial peace and to possible economic viability. And this was the prescription tabled in the joint MLP-GWU 1971 election manifesto to solve the Drydocks crisis.

The prescription was administered immediately after the MLP victory. Co-determination was introduced followed in 1972 by an austerity programme, launched under pressure from the new Prime Minister Dom Mintoff. It included actual wage cuts of between 5% and 20% among different sections of the Drydocks workforce. As a consequence, internal wage relativities were also reduced (See Table 2). With the GWU and the Labour Government equally represented on the new Board of

TABLE 2: Yearly Average Basic Wages and Differentials for Selected Drydocks Worker Categories

	1969		1974		1979		1982	
	Wage(Lm)	Ratio	Wage	Ratio	Wage	Ratio	Wage	Ratio
Senior Staff	1760	4.11	1839	2.28	2853	1.98	4365	2.17
Fitter	577	1.35	1027	1.28	1678	1.17	2472	1.23
Semi-Skilled Tradesman	545	1.27	949	1.18	1623	1.13	2374	1.18
Labourer	428	1	805	1	1438	1	2010	1

Source: Malta Drydocks Wages & Salaries Department (various years)

Directors and with the 'trust relations' existing between the Drydocks workers, 'their' party in government and the GWU, the Drydocks registered a profit in 1974. (See Table 3). This made possible the adoption of the long-proposed wage re-structuring and also enabled the transition to self-management to take place. As a result, labour relations were further harmonised by introducing democratic channels of worker control at the top decision-making level (via a Council elected completely by the workforce) in 1975 and at intermediate level (via 18 Workers' Committees) in 1977. In 1982-83, a number of mixed committees bringing together council members, management, workers' committee members and GWU officials were set up to plan and advise on a number of specific issues: Safety, welfare, finance, purchasing.

The history of the Drydocks thus makes it abundantly clear that the conditions of work, including wages and wage differentials, are issues over which Drydocks workers have been willing to undertake industrial action on so many occasions. Since the introduction of participatory management, however, a healthy strike – free industrial relations climate has also prevailed (See Table 4). One possible explanation for this noteworthy achievement is the very process of worker participation in management, which makes it easier for the worker to assimilate the enterprise's objectives as his very own. However, in spite of operating under such a self-management system, the general conditions of employment – and of wage structure in particular – are very similar to those prevailing in state-managed enterprises: Wage rates are fixed and employees have security of tenure; wage increases are generally in terms of cost of living increases announced in the annual national budget

TABLE 3: Indicators of Economic Performance of Malta Drydocks (1962 - 1987)

Year	Turnover	Profit/Loss Before Tax	Employee Strength	Average Weekly Income Industrial-Senior Staff
1962/3	4,090,021	- 510,489	5179	8,76,4
1963/4	3,575,108	-678,530	5193	9,77,7
1964/5	4,343,719	-663,000	5242	10,64,1
1965/6	4,672,618	-494,884	5113	11,99,0
1966/7	5,392,596	-370,839	5455	12,46,4
1967/8	3,886,319	-1,119,425	5137	11,30,6
1968/9	3,700,463	-1,737,306	5124	12,62,3
1969/70	4,609,186	-1,993,360	5378	14,92,7
1970/1	2,464,286	-3,472,530	5121	13,78,4
1971/2	3,711,596	-2,894,985	5202	15,76,9
1972/3	5,199,313	-1,731,110	5336	16,67,6
1973/4	7,036,508	38,119	5066	16,98,5
1974/5	11,130,109	442,805	5118	22,84,9
1975/6	12,122,416	813,978	5273	25,44,8
1976/7	12,509,585	60,178	5256	28,01,0
1977/8	15,753,670	220,494	5163	32,68,2
1978/9	15,989,680	195,234	5087	36,81,6
1979 ^o	12,397,542	256,441	5014	39,55,9
1980	20,378,802	755,936	4941	45,13,2
1981	24,885,881	1,333,312	4862	57,09,2
1982	20,648,716	-1,964,517	4638	60,23,7
1983	19,666,000*	-2,753,000*	4819	56,36,0
1984	18,700,000*	-4,500,000*	4545	
1985	19,000,000*	-4,500,000*	4538	
1986	25,000,000*	-3,900,000*	4300*	63,65,2 ⁺
1987	18,900,000*	-8,000,000*	4200*	64,25,1 ⁺

^o = Period from April to December 1979.

Source: Malta Drydocks Statistics, various years.

(Turnover, Profit/loss & Incomes are in current Malta Pounds: Lm).

⁺ = Reply to a Parliamentary Question on 16/11/87, reported in *In-Nazzjon Taghna* the following day.

* = approximate figures.

TABLE 4: Industrial Stoppages at Malta Drydocks (1967 – 1984)

YEAR	No. of Days	Workers Involved	Striker – Days
1967	1	4313	4313
1968	5	4000	20000
1969	9	160	1440
1970	42	4228	57234
1971	118	56	6608
1972	0	0	0
1973	1	n.a.	Overtime Ban
1974	0	0	0
1975	1/2	82	41
1976	0	0	0
1977	0	0	0
1978	0	0	0
1979	0	0	0
1980	1	n.a.	n.a.
1981	1	164	164
1982	0	0	0
1983	0	0	0
1984	1	1	1

Source: *Labour Reports*, Dept. of Labour (various years).
n.a. = not available

and therefore follow a nationwide trend; wage claims over and above these are determined by Management-Union negotiation. Bonuses have occasionally also been distributed as equal lump sums to each worker during years of exceptional performance: such was the case at the Drydocks during the year of record profit in 1981. Some Drydocks workers have also had the opportunity to participate in incentive schemes up till 1981 when extra money could be earned by finishing a contract before the due date. With such a wages policy in operation, Drydocks workers have successfully defended their wages, which are higher in relation to those enjoyed by other workers having similar skills but working in the private sector (See Table 5). They therefore remain, politically and economically, a 'labour aristocracy'.¹⁵

The economic and political leverage of a 'labour aristocracy', as well as other factors specific to Malta Drydocks – its foreign exchange revenue; its large workforce; its multiplier effect on the Maltese economy – has therefore ensured the preservation of good working conditions and stable employment levels even in a situation of chronic loss. Since the Drydocks started registering once again negative balances in 1982, the necessary cash flows have been guaranteed by the Maltese Government via its control over the commercial banking sector. Nevertheless, the pressure is mounting to lessen the Drydocks' financial burden and to improve, in socially and politically acceptable ways, its overall viability.

TABLE 5: Wage Differentials at Malta Drydocks (F,I,L) with Respect to "Reference Group" in Private Industry (X) – in Terms of Current Prices

Job Category	1967		1974		1983	
	Wage Rate Per Hour	Ratio	Wage Rate Per Hour	Ratio Per	Wage Hour	Ratio
F	22c8	1.4	49c4	1.44	121c6	1.41
I	22c1	1.36	45c6	1.33	114c2	1.32
L	18c1	1.11	38c7	1.13	96c7	1.12
X	16c3	1	34c2	1	86c2	1

F = Fitter (Skilled Tradesman) at Malta Drydocks.

I = Intermediate (Semi-Skilled Tradesman) at Malta Drydocks.

L = Labourer (Unskilled Worker) at Malta Drydocks.

X = Worker in Private Manufacturing Industry: 'Metal Products except Machinery and Transport Equipment' Category – Male Workers Only.

Source: Annual Abstract of Statistics (various years)

Drydocks Wages & Salaries Department.

DISINCENTIVES TOWARDS IMPROVED VIABILITY

A number of problematic areas can be identified as disincentives or obstacles to improved viability. Awareness of their influence is important in itself and may be instrumental in bringing about a change for the better, as far as the Drydocks balance of payments is concerned. Three such major areas are examined in turn below:

WAGE DETERMINATION

The first is the actual policy of wage determination: Wages policy and distribution tend to be arranged differently from the Drydocks in other firms practising self-management of some form or other. Firstly, wage levels and wage differentials are determined to some degree by certain criteria which need not remain constant. Most models of labour remuneration in a self-managed firm or economy in fact identify a fixed wage, being the basic wage rate, and a variable wage, determined according to one or more criteria. Such criteria could include experience, skill requirements, education, responsibility, physical effort and mental effort.¹⁶

Secondly, apart from these individual differences, wages tend to be connected, to some degree or other, to the economic performance of the enterprise. In this way, the fortunes of the enterprise are felt much more intimately by the worker to be his very own. This reflectivity of wage to performance should ensure, particularly in large firms like the Drydocks, a 'social participatory motivation to behave in a way which will promote the profitability of the enterprise'.¹⁷

In practice, this means that the maintenance of the wage rate at a high level (or else it being supplemented by a variable component) would depend directly on the existence and magnitude of registered profits.¹⁸

The Yugoslav self-managed economy contains both these individual – linked and profit – linked incentives for the mobilization of the worker at his work. The Mondragon group of cooperatives in Spain have linked enterprise profitability to faster growth of workers' capital accounts.¹⁹ In discussing the 'fundamentals of a theory of distribution in self-governing socialism', Horvat argues that earnings should 'typically reflect individual contributions by workers, while surplus-sharing is a reward for collective performance'; thus, the worker's income should consist of 'paid-out earnings and surplus sharing'.²⁰ The existence of one or both incentive schemes described above is also found in other cases of self-managed enterprises in western economies.²¹ A third different type of incentive is the membership fee, making employment in a self-managed firm conditional to the payment of a sum of money or the purchase of a share.²² The membership fee qualification acts as an effective spur towards greater and better individual performance, apart from guaranteeing a degree of investment in the company. Such spurs are particularly useful and critical when the enterprise is operating in a harshly competitive market, as is the contemporary shiprepair and shipbuilding industry – a condition which shows still no signs of abating.

In contrast to these models of wage determination in a self-managed framework, Malta Drydocks has continued operating with a standard wage rate policy which guarantees relatively high and stable wages in spite of economic downturns.

AUSTERITY MEASURES

A second disincentive towards improved viability has been the series of austerity measures which were introduced at Malta Drydocks after 1982. Such measures were put into effect as a reaction to the global slump in the shiprepair industry which affected the enterprise suddenly and significantly that same year. They have included (1) a freeze on new recruitment; (2) the withdrawal of incentive schemes for jobs which are finished before their due date and (3) the introduction of time-off-in-lieu instead of most overtime work arrangements.

Such measures can, and do indeed, reduce financial costs. However, their long-run consequences may be counterproductive, acting as negative incentives.

Firstly, the freeze on new recruitment has increased the mean Drydocks worker age to above 40 years.²³ This is not a healthy sign in an enterprise where muscle and agility are important requisites for effective work, especially on board vessels. It is too much to expect over

fifty-year-olds to work at dizzy heights, in narrow double bottoms, in obnoxious and dangerous working conditions. Indeed, many Drydocks workers opt for less demanding work roles, switching over to lighter duties in the various offices and 'shops', once they reach a certain age or suffer an accident at their place of work. With a progressively ageing workforce, the proportion of productive workers in the total complement decreases and suggests an overall reduction of productive output per capita. At the same time, new techniques and skills in the art of shiprepair are more difficult to come by without a regular influx of skilled workers, trained in contemporary methods and equipment.

Secondly, the withdrawal of popular incentive schemes reduces the attraction of extra effort, particularly for those who used to earn most from such schemes – that is, the industrial, productive, so-called 'direct' workers. While the Drydocks may have been forced to lower its prices considerably to attract work in the last years, the losses accruing in this manner may have been offset, wholly or partly, by a larger turnover of vessels, using the existing berths, docks and other services nearer to 100% utilisation and full capacity. Such a more rapid turnover of vessels may still be achieved, were some form of direct incentive made available. Of course, faster completion dates mean still greater competitiveness and also reduce the penalties occasionally paid by the Drydocks, when a ship's repair list is not finalised by a targeted completion date, agreed upon in advance.

Thirdly, the introduction of time-in-lieu (TIL) instead of overtime payments again hits adversely – financially and psychologically – the productive, 'direct' industrials, these being, again, that segment of the workforce which would accrue most overtime work. In fact, within a few months from the introduction of TIL, this measure had already become difficult to operate because workers in many key trades were accumulating hundreds of hours of TIL, without any realistic prospects of taking leave, since they were practically in continuous demand at the Drydocks.

Thus, all three austerity measures introduced in 1982 are argued to have acted as negative incentives, particularly on that segment of the Drydocks labour force which counts most, at the point of production, to get the job done well and on time. In fact, the Drydocks Council decided to abrogate two of these three austerity measures: Overtime work was resumed in October 1985 while a new apprenticeship entry was duly affected early in 1987. The incentive scheme has not been re-introduced to date.

THE ELEMENT OF SIZE

Malta Drydocks is a large enterprise in two senses: It has a large,

sprawling, physical site and it has a large, permanent workforce. Both these factors act as further disincentives.

The effect of group size on performance has been reported in studies concerning social psychology as a 'diffusion of responsibility' or, more popularly, as a 'free rider effect'. Such studies have revealed a rather uncanny, inverse relationship between feelings of responsibility and size of group.

Self-management and participatory industrial relations seek generally to establish a stronger relationship between effort and productivity than what normally exists under traditional labour relations. It is clear that a worker hired at a fixed hourly wage in a traditional enterprise will have no immediate, personal, financial motive to behave in such a manner which will promote the profits of the enterprise, irrespective of whether the latter is state or privately owned. Various initiatives, including profit-sharing, the 'share economy' proposals in the United States and Soviet *perestroika*²⁵ may be understood as managerial techniques which seek to tie more closely the workers' commitment to the goals of the enterprise where they work. Put differently, participatory management seeks to reproduce as closely as possible the kind of responsibility and effort which motivate self-employed workers who are completely dependent on their self-discipline and work methods to generate output and, eventually, profits. However, the causal relationship between *personal* effort and *personal* reward is seen to degenerate progressively as the size of the workgroup increases, even where participatory management is practised. This tendency has also been referred to as a 'logic of collective action'.²⁶ The uncanny thesis postulates that large groups are less able to act in their common interest than small ones because the incentive for group action diminishes as group size increases, unless selective incentives are introduced.²⁷

Consider an example to show this relationship in action: A self-employed craftsman can be said to function with a 100% relationship between effort and output and, ultimately, profits. What would happen however in a self-managed enterprise, or a family business, or a worker cooperative, with n self-employed craftsmen working together? In this case, 'the individual worker who shares the profit with his fellows will still get some benefit from any additional profit due to his own effort; but it will be only an n th of the result of his own efforts. Thus, the larger the enterprise, the less the sense of profit participation and the weaker the social motivation to do the best for the whole partnership of fellow workers.'²⁸

Therefore, apart from disincentives already considered – a fixed wage structure and no incentive schemes to finish ship repairs ahead of due date – a further diffusion of responsibility results from the sheer

magnitude of the Drydocks workforce, whereby only 1/4200th of personal effort may find its way as personal reward, if profit is registered and shared. A similar argument applies towards feelings of responsibility for losses. The size of workforce thus reduces to insignificant levels the relationship between personal effort and personal sanction, be this positive (in cases of profit) or negative (in cases of loss).

The sprawling nature of the worksite aggravates the matter further: It takes half an hour brisk walking to travel on foot – as is the normal means of internal transport – from the far end of No. 6 Red China Dock to the Boiler Shop beneath the Senglea Bastions or to No. 1 Dock in Dockyard Creek.²⁹ This physical condition leads to evident problems of communications: Difficulty of effective supervision; difficulty of coordination between trades; waste of precious time spent on travelling to and from one's box rack to one's work station and/or to the foreman's office. The composite effect of large size and large workforce is an increasing sense of alienation from enterprise objectives. It is quite impossible to identify one's personal contribution to the overall performance of the Drydocks, since the only evidence of such performance is submerged beneath the enterprise's global, end-of-year statements. These are infrequent and too occasional, and without a bearing on internal divisions of, say, territorial or departmental productivity achievements. There is no direct feedback relating what one has done to what one has achieved. Ideally, there could be a personal, but also a departmental or territorial based measure of feedback, and at shorter time intervals, to strengthen the relationship between effort and output; this is likely to contribute to productivity increases.

It is interesting to note that, in the oasis of self-management found near the town of Mondragon, in Basque Spain, a strike was actually organised in 1974 in the largest production unit, called Ulgor, then with 3250 worker-members. Following a diagnosis of this singular event, blame was partly put on inadequate communications caused by large size of plant and workforce leading to worker alienation. In consequence, the general policy at Mondragon has been to prevent 'giantism' by keeping unit sizes as small as possible.³⁰

To take stock of the argument then, it appears that a number of variables dampen the incentive and motivation of workers at the Drydocks towards even greater productivity and efficiency. These, along with other imported factors beyond local control, affect negatively the enterprise's profitability. Such internal variables include the rigidity of wage determination, the austerity measures introduced since 1982 and the consequence of large size. Reforms could be – and, indeed, have been – introduced to counter the effects of some of these variables. Yet, no reforms in wage determination have occurred. While the economic

pressures to do so certainly exist, it is impossible to isolate socio-political and cultural considerations from the analysis, if this is to prove relevant to the local situation. Indeed, an exploration of the cultural formation of the Drydocks workforce suggests that the environment is not likely to push for a change in this direction.

A CERTAIN PATTERN OF EXPECTATIONS ...

Being the elite of Malta's skilled labour force, the cradle of mass unionism and a stronghold of the MLP, the Drydocks has historically always played a key socio-political, apart from an economic role, as the first sections of this paper took pains to point out. From this has emerged the condition of a labour aristocracy: 'As a result of their effective organisation, Drydocks workers, in spite of all their grievances, have managed to raise their wages and to better their conditions of work well' above those of other workers in private industry.³¹ This advantageous position has bred over the years a certain pattern of expectations. Thus, for example, Drydocks workers have 'reacted very strongly whenever they felt that their advantageous position over comparative reference groups of other workers was being eroded'.³² Also, since the Drydocks started registering losses in 1982, the subsidy of necessary cash flows by the State, mainly via the two largest commercial banks, has been generally considered as a matter of course by workers. It is accepted as an implicit obligation from the State, in recompense for the Drydocks maintaining its labour force at the pre-recession levels. The arrangement also reflects a safe and secure compliance with paternalism on the part of the Drydocks worker which again undermines further the incentive towards effort: The State tends to act, in a neo-colonialist fashion, as a well-disposed patron on whom the security and income of the Drydocks worker depend. Thus the worker keeps getting his normal, standard wage, just as if he is operating in a viable, sheltered market, even when the economic pressure is strong for a downward swing.³³ The problematic nature of this situation was perhaps being suggested by the then acting Prime Minister, the Hon. Dr. K. Mifsud Bonnici, during a seminar on Workers' Participation organised for the GWU National Council:

'Participating in management does not simply mean participating in profits but also means carrying your share of responsibility. In times of crisis, one should not shirk the responsibility of management and participate simply when things are progressing well.'³⁴

In this context, it may be argued that the persistence of fixed and relatively high wage rates impervious to performance or profitability

criteria is an expectation by Drydocks' workers from the political system. This condition militates against the development of a self-reliant, self-responsible, participatory consciousness.

Admittedly, back in 1972, the Drydocks workers did accept substantial wage cuts in the face of non-profitability. This was only agreed to, however, following a confrontation between the Prime Minister and the GWU and a fierce reaction on the workers' part. Then, however, there were a number of factors which contributed to the acceptance of wage revision: The powerful and charismatic leadership of Dom Mintoff; the willingness on the part of the Drydocks' labour force to undertake short-term sacrifices for the sake of desirable long-term goals (profit-sharing and profitability); the enthusiasm following the election of a Labour Government some months before. Apart from these considerations, the workers were faced with no realistic alternatives. The Prime Minister made this clear:

'You have three choices to consider: Whether you want me to continue to be your leader, whether you want the Drydocks to be closed down or whether you want as from next Monday that everyone agrees to carry his share of the burden.'³⁵

... AND A STRONG UNION PRESENCE

The wages policy pursued at Malta Drydocks is however not simply the result of some abstract and tenuous cultural syndrome. One significant, visible element of the cultural condition is the strong spirit of unionism present at the Drydocks. The Dockyards (Metal) Section of the GWU maintains practically a monopoly situation at the Drydocks with over 90% membership registered. Apart from its numerical strength, the benefits and concessions achieved over the years of antagonism and militant bargaining are still protected and guarded with pride. Among these is the instance on a clear demarcation of trade responsibilities; a myriad of allowances for various degrees of danger at work or for working in obnoxious conditions; a basic 40-hour, 5-day week and, of course, a fixed wage policy. The defence and preservation of these conditions of work has now been carried over into the participatory era; the strength of the union position and tradition is such that, apart from the GWU, even the participatory decision making bodies themselves – the Council and the Workers' Committees – feel very strongly that such conditions should not be waived. If they would, Drydocks workers are likely to finish off worse individually, even though the enterprise's financial position may improve.

This interplay between the traditional and the participatory is no news as far as the Drydocks is concerned. Yet it is indeed peculiar to

find such an unusual blend of stable self-management and a strong union movement fashioned in the British spirit of antagonism. The latter condition was a major stumbling block to participatory experiments in the United Kingdom;³⁶ while successful participatory initiatives in the United States and Basque Spain have not had to contend with an active union presence.³⁷ Elsewhere, as in Yugoslavia, the trade union is not in a confrontative situation and, indeed, operates similarly to a managerial institution.³⁸ At Malta Drydocks, the *modus vivendi* appears possible in spite of the apparent ambivalence because, in contrast to Yugoslavia, the participatory decision makers have effectively taken over and preserved the traditional trade unionistic perspective. The large proportion of Council and Worker Committee members have, after all, long experience as union activists, apart from being GWU members. Professional management has been, since 1975, the main target of the composite trade unionistic front (that is, GWU – Council – Worker Committees). One evidence of this is the relentless criticism voiced by managers against members of workers' committees on the (valid?) grounds that they are in practice acting as union stewards.³⁹

POLICY RECOMMENDATIONS

Restructuring wage levels and wage differentials under participatory management with trade union support has considerably improved labour relations at the Drydocks and led to a period of remarkable industrial peace. Nevertheless, the persistence of a fixed wage policy carried over from the pre-participatory epoch, unrelated to individual, group, departmental or territorial performance criteria, means that the worker's wage does not act as an incentive towards effort and higher productivity. This situation is in sharp contrast to many examples of self-managed firms elsewhere but understandable once the specific cultural condition is unfolded.

Therefore, while a number of policy recommendations may be suggested, yet it is also likely that their acceptability depends on their conformity to cardinal trade union principles. For instance, the argument above has suggested the usefulness of considering the administration of a stronger, incentive-based wage policy, making more powerful the bond between labour remuneration and individual or group performance. One possibility here is to peg a small proportion of the basic wage rate to profitability levels, such levels being determined via joint management – union consultation. Contrary to contemporary proposals for similar wage flexibility in traditional firms,⁴⁰ the participatory structure ensures that the worked out profit figures are just and genuine, since the trade union has direct access to the company's accounts. Such a measure would be fully within the spirit of self-reliance and self-

management. The painful trade off involved in adopting such a measure is to forfeit fixed and equal wages for all in each grade, other than the usual service-based increments. From the workers' point of view, this is generally not attractive and would probably lead to effective pay reductions, at the going market conditions. Thus, the suggestion is not likely to be taken up by the Drydocks Council.

A second major recommendation concerns the matter of decentralisation: Unless the source of surplus (or of deficit) is directly under the workers' control (for instance, in their own department), feedback from it can easily turn out to be counterproductive, causing still more frustration and acting therefore as a disincentive.⁴¹ Individual workers may be lazy and apathetic, but may still be rewarded by reaping profit bonuses if the enterprise as a whole turns out to be profitable. Conversely, individual workers' efforts and productivity may end up being not simply unrewarded but penalised by wage reductions if the enterprise as a whole registers losses. These possibilities help to explain why profit sharing does not necessarily boost productivity. Over and above this, the 'size' factor warrants independently a decentralised arrangement for the variable wage component: One which makes as direct and visible as possible the connection between individual effort and individual reward.⁴² Once again, from a union perspective, the arrangement is unpalatable because it foments internal rivalry and hostility among different sections of the Drydocks labour force.

CONCLUSION

In spite of a series of registered losses at the Drydocks, wage rates have remained relatively high compared to those of allied workers in private industry.⁴³ This is partly understood in terms of the bargaining success of Drydocks worker representatives (notably the GWU) in contrast to the generally less organised, less militant and less class/trade union conscious counterparts in the private sector. This is however also due to the distinct status with a strong historical, socio-political and economic foundation with which the Drydocks worker attributes himself quite automatically and which guides and moulds his political expectations.

The general discussion above suggests that the problematic nature of wages policy at Malta Drydocks forms part of a complex set of ambivalences of attitudes and perceptions. At the root of these lies the blend of a fledgling participatory culture with the traditional one. As emerges from available scientific evidence,⁴⁴ Drydocks workers express agreement with participatory management and appreciate its contribution to a series of socio-economic spin-offs; but these feelings remain encapsulated within a persistent 'us-them' vision of industrial

relations and neo-colonial expectations from a benevolent state.⁴⁵ Fixed wage rates, impervious to market conditions and individual or group differences in effort, along with profit sharing when there is profit to be shared, reflect the colonial work ethic, with the accompanying implications of job security and low responsibility for the enterprise's business. It is due to these deep-rooted, cultural contradictions that a cardinal ambivalence – relatively high and fixed wage rates on the one hand and annual heavy losses on the other – is totally absent from the Drydocks worker's mind.

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Notes

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² Notable studies and research reports focusing on Malta Drydocks include Baldacchino (1984); Baldacchino et. al. (1986); Borg Bonello (1983). Gauci (1982); Kester (1974, 1980, 1986); Portelli (1983); Zammit (1981, 1984); Zammit & Baldacchino (1984); Zammit and Portelli (1983) and Zammit et. al. (1980, 1982). All the above items are listed in a select bibliography included within the references to this paper. For a brief report on Malta Drydocks see Bradley & Gelb (1983, pp. 59–61).

³ Relative deprivation may be defined as "actors' perception of discrepancy between their value expectations and their value capabilities. Value expectations are the goods and conditions of life to which people believe they are rightfully entitled. Value capabilities are the goods and conditions they think they are capable of getting and keeping . . . The emphasis of the hypothesis is on the perception of deprivation; people may be subjectively deprived with reference to their expectations even though an objective observer might not judge them to be in want . . ." – Gurr (1970, p. 24).

⁴ Various recent official statements abide by the principle of relating more closely remuneration to effort. For example, the Nationalist Party 1987 Election Manifesto Section III – 7.7, p. 65: "Schemes will be introduced to motivate self-employment . . . and special individual initiative". Malta Development Plan 1981–85: "Stronger efforts will need to be made at the Drydocks to re-establish easier flow of communications between labour and management and to *involve workers more deeply in efforts to raise efficiency and productivity.*" Also Malta Labour Party/General Workers' Union 1981 Election Manifesto, pp. 7–8: "Income differentials today have narrowed down . . . therefore, the time is ripe for the *introduction of incentive schemes* for those workers who are involved in work which entails risk and/or responsibility and who *show initiative to improve efficiency and production*". Translations and emphasis mine.

⁵ Based on comparative studies of industrialised and industrialising countries which both suggest that workers in maritime "occupational communities" are amongst the most strike-prone, along with miners and transport workers. See Kerr & Siegel (1954) and Sandbrook (1981) respectively.

⁶ As pointed out by Busuttill (1973, p. 12).

- ⁷ As described in Bonnici (1931) and reported among others by Fino (1983, p. 18) and Dobie (1967, p. 80).
- ⁸ Dobie (1967, pp. 81–2) and Zammit (1984, pp. 43–4).
- ⁹ Dobie (1967, pp. 82–3).
- ¹⁰ Koziara (1975, pp. 67 ff).
- ¹¹ Information on industrial relations at the Drydocks in the 1960's is based on Aquilina (1974); Ellul (1972); Ellul Galea (1973); Kester (1980, Chapter 4) and Koziara (1975).
- ¹² Ellul (1972, p. 30).
- ¹³ The MLP – GWU electoral manifesto of 1971 stated that the Drydocks would be reorganised as follows by a Labour Government:
- It would be run by a Board of Directors having equal representation from the GWU and from Government, with a Chairman acceptable to both sides.
 - Its management would eventually be handed over to the workers as soon as the Drydocks was put on an economically sound footing.
- ¹⁴ Zammit (1984, p. 49).
- ¹⁵ The meaning of a “labour aristocracy” in this context refers to a group of workers who have achieved a high status among the working class by virtue of class consciousness and radical unionism. The term begs qualification because widely contrasting versions, already present in Lenin’s works where the concept was introduced, have been subsequently used. For an examination of these versions see Waterman (1975).
- ¹⁶ See, for example, Wachtel (1973, Chapter 5) for a discussion of the wage in the Yugoslav self-managed economy.
- ¹⁷ Meade (1972) quoted in Vanek (1975, p. 395).
- ¹⁸ See, for example, Ward (1958, 1967) for such a model of a labour-managed enterprise.
- ¹⁹ Thomas & Logan (1982).
- ²⁰ Horvat (1967) also quoted in Jones & Svejnar (1982, pp. 147–8).
- ²¹ For example, in the John Lewis Partnership (UK), remuneration has been “determined partly on job performance and partly on what must be paid to secure the worker’s services. The rate of pay in turn determines the share of distributed profits” – Flanders et. al. (1968, pp. 181–2). In the U.S. Plywood Cooperatives of the Pacific NorthWest, every worker earns equal pay and every worker receives an equal share of the annual profits. The amount of hourly advance and annual refund are determined by each cooperative’s Board of Directors. “When the market goes bad and the company loses money, the workers vote to cut their hourly pay” – Zwerdling (1973, p. 101).
- ²² This is the arrangement in Mondragon and in many other producer cooperatives. However, this form of incentive is usually adopted by worker-owned enterprises.
- ²³ Indirect evidence collected from the responses of the 1982 Drydocks Opinion Survey. Baldacchino (1984, p. 36).
- ²⁴ For experimental evidence of “diffusion of responsibility” see Latane’ & Darley (1968).
- ²⁵ On the share economy see Weitzman (1984) and on Soviet *perestroika* (that is, economic restructuring) see, for example, Odom (1987).
- ²⁶ Olson (1965) and Olson (1982, pp. 17–35).
- ²⁷ Olson (1982, p. 31).
- ²⁸ Meade (1972, p. 403).
- ²⁹ The Drydocks disposes of 2079 metres of effective wet berth along with seven dry docks with a total length of 1405.3 metres. Source: Official Drydocks publicity material.

- ³⁰ The account of the singular strike at Mondragon is described, although sketchily, in Thomas & Logan (1982, p. 35) and Zwerdling (1973, pp. 154–8).
- ³¹ Zammit (1984, p. 43).
- ³² Zammit (1984, p. 44). This once again explains the occurrence of the industrial disputes of the late 1960's. Even during the Labour Administration, significant protest and discontent was voiced when the two-thirds pension scheme was introduced. In this particular instance, the drydocks worker conceded a status reduction.
- ³³ McCormick (1969, p. 128).
- ³⁴ Organised by the Workers' Participation Development Centre at the University of Malta on January 14, 1984. The speech was reported verbatim in the newspaper IT-TORCA as follows: "Tiehu sehem fit-tmexxija ma jfissirx biss tiehu sehem fit-tgawdija iżda li terfa' wkoll parti mill-piż. Fil-maltemp wiehed m'għandux jahrab mir-responsabilità tat-tmexxija u jippartecipa biss meta l-affarijiet mexjin tajeb biss."
- ³⁵ For a vivid account of the 1972 events concerning the Drydocks, see Kester (1980, pp. 48–52).
- ³⁶ Batstone et. al. (1983).
- ³⁷ See Thomas & Logan (1982) on the Mondragon coops; Jackall & Levin (1984) on producer coops in the USA.
- ³⁸ See, for example, 'Unions in Eastern Europe', in *International Labour Reports*, 1986, No. 18.
- ³⁹ As identified by Baldacchino (1984) and Kester (1986).
- ⁴⁰ See, for example Weitzman (1984) and McGregor (1960, Chapter 8).
- ⁴¹ The cause and effect connection should also be established in the temporal sense: Hence the liaison of profits/losses with wages and salaries, which are paid monthly, carries a psychologically meaningful behaviour and reward relation.
- ⁴² Bernstein (1976, pp. 65–6).
- ⁴³ This is evident from a comparison of the basic wage rates of occupational grades at the Drydocks with the basic wage rates of allied work in private industry. (See Table 5) Drydocks wage data has been collected with the kind permission of the Drydocks Council from the Wages and Salaries Department at the Drydocks. I also acknowledge the assistance of JoJo Mallia, former Council Secretary.
- ⁴⁴ Reports of the survey conducted by the Workers' Participation Development Centre at the Drydocks in December 1982 are available in both Maltese and English: See Baldacchino (1984); Zammit & Baldacchino (1984) and Baldacchino et. al. (1986).
- ⁴⁵ Baldacchino (1984, p. 33) and Baldacchino et. al. (1986, pp. 220–1).

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