Democracy in the Workplace: Toward Labor-Management Cooperation

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I. Introduction

There seem to be increasing claims of a growing need for cooperation between labor and management, especially in the United States. However, is this need real or merely perceived? Several “reasons” have been promulgated for the development of a “workplace democracy.” Increasing competition from foreign sectors poses a threat to U.S. dominance in world markets, resulting in calls by management for labor concessions and calls by the public for product quality improvement. The growing “world economy” creates increased interdependence among countries as each nation realizes that its “sovereignty” may not be all that sovereign. Along similar lines and as mentioned above, consumers are continuing to demand increased quality and dependability from the products that they purchase as the world marketplace increasingly brings merchandise from around the world to America’s doorstep.

But what is workplace democracy, anyway? Is it workers’ control? Self-management? Labor-management quality of work life (QWL) committees that analyze jobs, proposing and designing changes in the workplace? What are the goals of the programs involved: total management of the enterprise, an opportunity to affect policy, or factors that impinge upon workers in the daily performance of their jobs?

Today’s discussions of participatory management generally distinguish between three goals: economic, political-managerial, and social. Who is it that owns the organization and is entitled to the proceeds accruing from its operation? Who is it that governs the organization: that is, what types of structure, operations, and decision-making methods exist within the firm? And finally, who has access to either of these components, ownership and governance?

Although workplace democracy tends to be thought of merely in terms of blue-collar workers, it should be kept in mind that many individuals with managerial titles or responsibilities are often relatively powerless within an
organization. With respect to the levels above them, they, too, are "just workers." It seems, then, that worker democratization should also encompass those involved in white-collar and professional work.

What is the role of unions in workplace democracy? As Kanter and Stein point out, "The instinct of economic survival and the need of workers to protect economic livelihood has been the primary function of unions" (Zwerdling, p. ix). There is a need to break down the traditional adversarial relationship between labor and management (or at least to modify this relationship substantially). Some union leaders recognize this need and realize that unions must take on additional roles if the goals of workplace democracy are to be met. However, will the changing roles of unions result in their becoming unnecessary or obsolete in the future? Also, what exactly are the roles that organized labor should play in the development of workplace democratization?

This paper begins with a description and definition of the concept of "workplace democracy" and proceeds to analyze this concept according to the major examples of workplace changes described in the literature. The paper then concludes with a brief discussion of the raison d'être of unions and the response of union leaders to this idea of "workplace democracy."

II. Types of Workplace Democracy

What does "democracy at work" really mean? The ways in which corporations have changed the workplace vary drastically. In some companies, employees have limited power over their daily jobs while workers in other companies have the power to change the corporation. Some workers have gained the potential to effect changes, perhaps in the near future. The following sections discuss workplace democracy as it has manifested itself in five major areas: humanization of work, labor-management committees, co-determination, worker ownership, and workers' self-management.

A. Humanization of Work

In the early 1970s, several social research studies proclaimed that Americans were bored with their jobs and felt alienated in the workplace. As Work in America, published by the Department of Health, Education, and Welfare, stated, "Significant numbers of American workers are dissatisfied with the quality of their working lives. Dull, repetitive, seemingly meaningless tasks ... are causing discontent among workers at all occupational levels" (O'Toole, p. 3). These dissatisfaction led to decreased productivity, as evidenced by "absenteeism, turnover rates, wildcat strikes, poor quality products and a reluctance by workers to commit themselves to work tasks" (O'Toole, p. 3).

To alleviate this growing worker dissatisfaction, attempts to bring about the "humanization of work" subsequently appeared. Workers' needs to interact with managers and with each other and how they felt about their work began to be considered. The emphasis was upon the social design of the workplace. Therefore, as managers "humanized" the work process, giving employees greater autonomy and control in the production process, workers would become more satisfied with what they were doing and less disgruntled.

Toward this end, corporations across the United States have been "humanizing" their white- and blue-collar factories. A General Motors factory, for example, has eliminated the traditional assembly line approach and has given small worker teams the power to assemble entire mobile homes on their own, thereby removing the boredom and repetition involved with typical "one-task" assembly-line jobs. Corning Glass has encouraged workers to have "coffee with the boss" and weekly "rap" sessions with department heads. In this way, employees would feel less alienated and more involved with the corporation. At a General Foods' Topeka dog food factory, traditional foremen have disappeared, replaced by "autonomous worker teams" that have taken responsibility for directing the daily production process (Zwerdling, p. 3-4).
How does this “humanization of work” fit into the concept of workplace democracy? It has been shown that workers’ increased autonomy and power over their jobs does boost employee morale, worker satisfaction, and productivity. However, it must be kept in mind that these programs still exist within the larger corporate framework of higher management directing lower-level workers. That is, workers’ activities and goals exist within the much larger context and control of upper-management goals and policies. Therefore, the traditional power relationship remains unchanged. The management of corporations implementing humanization programs indicates that the primary goals of such programs are to increase productivity and profit, with increased worker satisfaction being merely a means to this end.

B. Labor-Management Quality of Work Life Committees

Similar to the “humanization of work” process is the development of joint labor-management quality of work life (QWL) projects being implemented in unionized companies across the nation. The goals are similar: to increase autonomy and power of workers over their jobs, thereby making their work lives more satisfying and improving the quality of their work projects. However, these labor-management projects come closer to actual workplace democracy by allowing workers to participate with management in controlling and designing the changes under QWL projects. It is a process of democratic decision-making.

The United Auto Workers-General Motors Quality of Working Life program is perhaps the most famous (and successful) of these projects to date. The project had its origins in problems which arose in the late 1960s: increased absenteeism, growing disciplinary layoffs, and rising grievances. A job-satisfaction survey taken in 1968 indicated a need for change. To this end, in 1973 the UAW and GM created a joint committee on improving the quality of working life. In 1975, the company and the union held the first of several national conferences on QWL, with neither side being very specific as to what QWL meant; rather, plant managers and local union officials were urged to meet in good faith and “work something out.” In 1979, GM required all plants to have a QWL program; however, once again, the specific content was not defined.

The initial results of QWL efforts appear to be quite positive. Absenteeism is declining, as are grievances. The number of settlements in plant-level negotiations over supplemental contracts that occur before the settlement of the master UAW-GM contract has risen dramatically. These developments indicate an increased willingness on the part of the local union officials and local managers to at least work at solving their problems. GM also reports some increases in quality and cost-effectiveness of production (Mills, p. 592).

The unique and significant aspect of the UAW-GM arrangement is not the reorganization of work or greater employee participation; rather, it is the involvement of union and management in a joint effort. This indicates an attempt to extend the concept of collective bargaining beyond the confrontation of the negotiating table and beyond the adversarial atmosphere which so often accompanies grievances and arbitration. This, in turn, results in labor relations which are less conflict-ridden and perhaps better adapted to the protection of employees’ jobs and living standards in an increasingly competitive international marketplace (particularly in the automobile industry).

Many other examples of quality of work life programs exist beyond that of the UAW-GM project. At the Rushton Mining Company, the management and union desired increased safety without decreased productivity while smoothing troubled labor-management relations (Business Week, 1976, p. 28E). The management and union at the American Sterilizer Company in Jamestown, New York, formed a QWL project to achieve increased efficiency and productivity to escape the threat of layoffs (Zwerdling, p. 5). Other labor-management projects have strived for more far-reaching goals, such as stimulating the personal growth and development of employees.

In general, labor-management quality of work life committees give employees increased
influence over the workplace while allowing them to learn to analyze their jobs, think critically about work, and assist fellow employees to improve production processes and solve problems. However, as with humanization programs, the traditional balance of power between management and workers remains undisturbed.

C. Co-Determination

In Western industrial countries, most major decisions on the future of firms and on workers' livelihoods are not made on the shop floor. In the hope of participating in these decisions, workers have sought representation on company boards of directors.

The “co-determination” system constitutes one of the most important forms of employee participation in management. Pioneered by West Germany and practiced mainly in that country, co-determination falls short of a fully self-managed system; however, it is claimed to be one of the most advanced systems of employee control in the Western world.

“Co-determination” involves the appointment of workers' representatives to the board of directors of an organization. Its essence is a partnership of owners and labor in the operation of an enterprise. In Germany, firms have two separate boards—a supervisory one that sets company policies and a management one that handles day-to-day affairs. Each group of workers is represented on the supervisory board; the chairman is selected by management and always casts the tie-breaking vote. Although this may suggest that labor is always in the minority, it appears that most board decisions are made by consensus.

German management's initial fears about sharing responsibility and authority with labor have proved groundless. A 1970 government commission concluded that there had been no loss in earnings or investment as a result of labor representation nor any abuses of confidence by labor's board representatives (Stokes, p. 22). In addition, it seems that the unions have not used their new position to obstruct decision-making.

The concept of co-determination has become very popular in Europe. By law, the boards of directors of companies in Scandinavian countries must include workers. In France, although they may not cast votes, workers send two representatives to meetings of corporate boards. In the Netherlands, a unique system of co-determination has developed: corporate boards “renew” themselves from a list of candidates jointly approved by labor and management, thereby not insuring labor representation but giving unions some veto power over the composition of the board. Great Britain is also moving toward including workers on boards of directors (Stokes, p. 23).

However, in the United States, formal worker representation on boards of directors is opposed by most labor leaders. Most union leaders see worker participation as an attempt to eliminate the historically successful adversary role of American labor. They feel that any “blurring” of the distinction between labor and management will undermine their negotiating position, weaken workers' confidence in their union, and decrease membership. Management, like union leaders, also contends that labor representation on boards of directors is inappropriate. The general feeling is that such representation would be divisive and inefficient.

Consequently, while board participation seems “a long way off” in the United States, perhaps the successful European experience with co-determination may soon encourage progressive American companies to experiment in this area.

D. Worker-Owned Companies

Workers purchasing their own corporations has become much more common during the past decade. However, it is important to realize that worker ownership is not necessarily the same thing as worker control. There are different kinds of worker ownership, each giving workers access to varying degrees of control.
First, workers can own their workplace by becoming members of a producer cooperative. An often-cited example exists in the American plywood industry. Eighteen plywood manufacturing firms in Oregon and Washington are fully owned by their employees and, to varying degrees, are also managed by them (Bernstein, p. 13). These companies make up about one-eighth of the American plywood industry. The organization of the plants varies from one to another, but all reflect the same general process. Employee-shareholders meet annually to elect from their own members a board of directors. The board makes most policy decisions, but its power is checked by the whole group. The board of directors hires a general manager to coordinate daily affairs. He is the company’s expert on business matters and usually comes from outside the firm. The governing process in the plywood mills is therefore based on a circular pattern of authority: the workers hire the general manager, set his salary, and make all major decisions on company expansion, modernization, etc.; however, on a day-to-day basis they work under the general manager’s direction. Worker-owners are free to walk into the general manager’s office—with complaints or suggestions. Participation remains at a high level.

In this case, much of the success or failure of the worker-owned mill depends upon the general manager; he requires sound business sense and the ability to present his views to the directors convincingly. It appears, however, that considerable productivity is “released” by the self-management process that outweighs any inefficiencies of self-management. Worker-owned mills have consistently demonstrated higher productivity than at conventionally-owned firms (Bernstein, p. 18–19). One major reason that self-management is able to succeed in the plywood industry is that the manufacturing process is labor intensive and requires relatively low levels of capital. (This suggests which industries offer the greatest chances of success for worker-owned enterprises today: the service sector or retail trades.) Another factor important to these firms’ success is ease of market entry—the earliest collective began when the market was first developing. Still, it is important to note that producer cooperatives, more than any other enterprises in the U.S. today, are not only worker-owned but also worker-controlled.

A second way that workers can own their own firms is by buying common stock on the open market. An example is the Vermont Asbestos Group (VAG), purchased by the mine’s workers from GAF Corporation in 1975. The miners purchased the organization when it was in trouble, then proceeded to make a profit and ensured a stronger economic base for their depressed community. VAG survived for three years as a worker-owned firm; however, when the book value of the common stock rose from $50 to $2103 per share over that period, the employees voted to sell their shares to a private owner (Nightingale, p. 228). In this second type of worker-owned company, workers exert less power than do workers in co-ops because outside individuals can also purchase stock. Usually, managers with high salaries and large financial resources purchase more shares and cast more votes than do the blue-collar workers on the production line.

The third way in which workers can become owners of their firms is by establishing an Employee Stock Ownership Plan (ESOP). This results in the least degree of worker control of all three methods discussed. Under an ESOP, an employee has an account that is credited with contributions made to the plan by the company in proportion to the employee’s level of compensation. Upon retirement or termination of employment, the ESOP account is translated into the stock of the company. ESOPs are becoming increasingly popular for

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1Producer cooperatives are to be distinguished from consumer cooperatives. In the latter, profits are distributed to customers as a dividend on purchases instead of to shareholders as a dividend on shares. Producer cooperatives produce a product or provide a service, and members involved in a productive role in the organization are considered as members. The surplus is distributed to the members, not to customers. The essence of the producer cooperative is significant employee ownership of the enterprise.

2Employees may also be able to enjoy the voting privileges of their common stock once vesting requirements are met.
several reasons. First, the employees become owners of the company as stockholders, and many employers feel that this will increase employees' productivity. Second, employees receive additional compensation in the form of the ESOP contributions, which are not taxed until the ESOP accounts are converted into stock. Third, certain tax benefits allow an employer to raise capital by the establishment of an ESOP. Usually, however, the amount of stock which each employee receives is based upon his or her salary. This means that those with higher compensation (e.g., managers) receive more shares. In addition, at most firms that have established ESOPs, the workers will never get the power to vote their own stocks. Instead, the stock votes in these worker-owned firms will be controlled by management-appointed committees. Workers at such companies, therefore, have little potential for actually controlling their workplace.

E. Workers' Self-Management

The types of workplace developments discussed above have all given workers more influence over aspects of the corporate structure than they have had before. However, except for the case of cooperatives and co-determination, the traditional corporate power structure remains intact.

The final major workplace development—workers' self-management—completely reverses the typical corporate power structure, however. Under workers' self-management schemes, the workers control the entire organization. Advocates of workers' self-management contend that it is the only long-term solution to problems of the workplace and argue that it is necessary for psychological, ethical, and democratic reasons. Perhaps the most important argument for self-management, however, is a more pragmatic one. According to advocates, unless workers control their enterprise, they will not have guaranteed protection against the abuses of management. Workers at "humanized" workplaces can ask management for certain concessions, while workers in companies with labor-management projects can negotiate through collective bargaining (or, if necessary, strike).

However, only workers in a self-managed company can actually shape the firm to their needs. Researcher Paul Bernstein has delineated five characteristics of a self-managed organization that are required for successful operation (Bernstein, 1980, p. 45). They include:

- Participation in decision-making.
- Frequent feedback of economic results to all employees (in the form of money, not just information).
- Full sharing with employers of management-level information and, to an increasing extent, management-level expertise.
- Guaranteed individual rights.
- An independent board of appeal in case of disputes (composed of peers as far as possible).

Bernstein finds that if any of these components are absent, then employees' willingness to participate is difficult to maintain. As a consequence, the firm is unlikely to experience democratic management for very long.

III. What Labor Thinks

When advocating self-management, or any other form of workplace democracy, a seeming paradox results: most leaders of the American labor movement are not heading the effort to democratize work, but seem to resist it. The concerns expressed by labor leaders include: (1) the fear of "selling out" by conceding the traditional adversarial relationship between labor and management, (2) the belief that such workplace democracy proposals are merely "dreams" which will result in a reality of little success and a lot of failure, (3) the feeling that workers will sooner or later become managers, and this will result in pitting worker against worker, and (4) the belief that such proposals are the invention of intellectuals who do not recognize the realities of the American workplace.

Why does the U.S. labor movement oppose the push toward workplace democracy? Or, does the U.S. labor movement really oppose it? To understand some of the different perspectives presented by labor leaders on the debate of "workplace democracy," it is useful to recall how the American labor movement
evolved. Although “worker control” has long been heatedly debated in many European countries, it has rarely been an issue of the U.S. labor movement. Although small factions advocating self-management have always existed in the U.S. labor movement, most of these factions, and the companies they spawned, have died a quick and painless death. By 1900, the American labor movement was synonymous with the American Federation of Labor and such leaders as Samuel Gompers. Leaders such as Gompers argued that workers should develop strong trade unions which would concede to management the right to direct the workplace but which would devote their energies to demanding various concessions in return. Although workers would not exert any direct control over the workplace, they would have the ultimate power of being able to stop production completely (by going on strike) to win the concessions they wanted. This system became known as “collective bargaining,” and by 1940 virtually all of the major unions had joined the collective bargaining movement under the direction of either the AFL or CIO.

As this attitude on the part of the unions took firmer hold, so did management’s insistence on its prerogative to control fundamental issues concerning what to produce and how to produce it. It became management’s sole responsibility to determine the products to be manufactured, the location of plants, the schedules of production, the processes of manufacturing, and the administrative decisions relating to financial, marketing, purchasing, and pricing areas.

As perceived by most union leaders, then, the unions’ fundamental role has been and continues to be that of organizing workers and representing them in collective bargaining in order to gain certain limited rights and tangible benefits.

A. Union Leaders’ Concerns About Workplace Democracy

With this background it becomes easier to understand many union leaders’ worries about recent developments in the workplace. They tend to oppose “humanization” efforts for several reasons:

- They feel that it is an attempt on the part of management to destroy the union or to keep workers from joining a union. Humanization makes workers feel that management cares about them, and, therefore, they will not feel the need for a union to protect them.
- Leaders also claim that humanization is merely an effort to increase workers’ productivity without correspondingly increasing workers’ salaries. Management merely satisfies workers with superficial benefits, rather than with anything more substantial.
- Benefits from humanization are never guaranteed; management can retract benefits just as easily as it provides them.

Another workplace reform opposed by union leaders is “co-determination”—the placing of workers on the corporate board of directors. Union leaders have voiced the following fears:

- By placing workers on the board of directors, the distinction between management and labor will gradually disappear, destroying the traditional labor-management adversarial relationship. The fear is that workers will become “seduced” to management’s point of view.
- If union representatives do join the board of directors, they will most likely receive most of the blame for mistakes while receiving little credit for successes.

Many union leaders also fear that workers and their unions could be weakened if they own their own enterprise. They reason that workers may lose their identities, and soon, instead of workers managing workers, it will again be management managing workers. In addition, they contend that the workers may develop such a competitive spirit that they will argue among themselves over corporate profits. On the other hand, some union leaders also point out that most of the firms sold to workers are only marginally surviving in the first place. How will the workers/union be able to save it?

In regard to the worker self-managed firms (such as the plywood co-ops), most union
leaders have expressed no opinion. Some actually think such ventures are unrealistic, while a few union leaders view such cooperatives as a threat to the very existence of the unions. What need, they ask, do self-managed firms have for unions?

B. Unions in Support of Workplace Democracy

Although we have seen that many union leaders oppose these different types of workplace changes, increasing numbers of union leaders are advocating other reforms which give added power and freedom to workers.

The most common of these are the labor-management "quality of work life" projects. As described earlier, these are special committees designed to bring union, management, and worker representatives together at various corporate levels. These committees do not advocate self-management, worker representation on the board of directors, or worker ownership. Rather, they aim to create a forum which encourages workers, along with management, to analyze their jobs, raise questions about any aspect of their employment, and assist in the design of changes for the betterment of the workplace. All of these are issues that would probably not appear in a collective bargaining contract.

Unions are participating in and encouraging these committees for several reasons, not the least important being self-preservation. Union leaders reason that, if management proceeds with workplace democracy while unions resist it, workers may lose faith in their unions. If, however, unions take the initiative in this regard, they may be able to better earn the respect of their members. Yet another reason for union support of QWL projects is that an increasing number of union leaders see such developments as a natural and logical progression in labor-management relations. Such programs are viewed as a way to gain more union power and strength. Union leaders feel that such projects strengthen the unions in the collective bargaining process by encouraging union members to become more active participants in union affairs. In this regard, advocates of these programs stress that such committees should not replace the traditional labor-management adversarial relationship but should add another dimension by which the union and management can cooperate. In other words, although issues of economic security will remain adversarial in nature, questions of workplace democracy should be undertaken as a joint effort in the spirit of cooperation.

One form of workplace democracy that is increasing in popularity is the Scanlon Plan. This plan is used by some firms as a method of rewarding employees of a company as a whole for exceptional performance. It is not a profit-sharing or incentive plan; rather, it is a "cost-savings sharing plan." Most incentive plans (group or individual) have severe limitations. With individual incentives, each worker is interested in completing his or her own job as rapidly as possible, regardless of the consequences this performance has on others. Consequently, production quality may decrease as employee conflicts increase, with each worker "working for himself." The end result can be decreased productivity and increased costs.

Out of this state of affairs developed the Scanlon Plan. The plan has three basic elements: (1) a philosophy of cooperation, (2) a suggestion system designed to increase efficiency and reduce costs, and (3) a formula which permits bonuses to be paid to employees based upon cost savings resulting from productivity increases. Key to the success of the plan is the philosophy of cooperation—from top management to the lowest level worker. The mechanism for cooperation is departmental production committees comprised of both employees and management. These committees make suggestions for improvements, but management reserves the right of implementation. The bonus paid out is calculated using the following "basic ratio" (Mills, p. 454):

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\text{Basic Ratio} = \frac{\text{Total personnel costs}}{\text{Sales} + \text{Inventory changes}}
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If the plant achieves a lower ratio, cost savings result which are distributed to the company and workers in proportion to their normal
salaries. This plan thereby encourages employees to increase productivity and reduce costs, providing a surplus to be distributed as a bonus. Through the Scanlon Plan the company can benefit from higher efficiency and lowered production costs, individual workers can benefit from higher take-home pay, and stockholders can benefit because higher efficiency and output increases total company profits and, eventually, dividends.

Although one of the most interesting and sophisticated labor-management plans developed to date, the Scanlon Plan is in successful operation in only a relatively small number of companies. Perhaps this is because the plan requires a willingness to experiment with a new and challenging kind of relationship between labor and management. In addition, the plan requires greater effort and more attention than most companies and unions are willing to give. In any case, it is important to recognize that the Scanlon Plan can open up a whole new area of cooperative labor-management relationships in a democratic and dynamic society.

IV. Conclusion

This paper has examined five of the major recent developments in workplace democracy: humanization, QWL committees, co-determination, worker-owned companies, and workers' self-management. Although self-management is the most radical development in that it reverses the traditional corporate power structure so that the workers are in control, labor-management quality of work life projects seem (for the present, at least) to be the most popular and least resisted by both management and organized labor. Even so, these projects remain controversial within the labor movement.

Some union leaders fear that such projects can "drain" union energies on superficial issues. Others worry that such committees could acquire enough responsibility to make certain union officials obsolete. Still others feel that, if effective, these labor-management projects could eliminate the workers' desire for unions altogether.

However, advocates of the programs contend that these fears are unfounded. Risks in such projects are more the result of the haphazard and careless manner in which the projects are established. In order for these projects to succeed, management and labor must commit themselves to the long-run development of the worker.

Worker participation projects, no matter how superficial, are the beginning of fundamental change in the workplace. Whenever workers analyze their jobs, discuss issues with management, or jointly decide upon workplace changes, they acquire increased understanding of the firm and begin to see possibilities for change where none existed before. Eventually, labor-management committees may generate worker demands to take part in management.

Greater employee participation in decision-making is not the only solution to the problems of employee dissatisfaction at work. Needless to say, job security, safe working conditions, and better pay remain major concerns of workers. However, great progress could be made—not only in employee satisfaction, but also in the more effective and efficient use of human resources—by extending participation in the workplace. As Donald V. Nightingale states:

Democratic practices would release human talent and ingenuity which are currently held in check by unchallenging jobs, authoritarian supervision, and a workplace which places little value on employees as creative, responsible, and autonomous human beings (Nightingale, p. 194).

Certainly, as America enters a period of worldwide economic change, the organization of work, relationships between management and labor, and economic development strategies will be affected. New styles of labor-management relations can provide greater opportunity for economic progress and development, thereby contributing to the solution of employee dissatisfaction at work and the complex economic problems of the 1980s.
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