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WORKERS' PARTICIPATION IN THE UNITED STATES

The last few years have seen substantially increased American interest in various forms of workers' participation in management[1]. While it is too soon to say how much of this current interest will have lasting results, change is occurring more rapidly than seemed likely a few years ago (Strauss, 1979), and it is occurring on a wide variety of fronts. Indeed the 1980's have turned out to be a period of great flux in labor-management relations and in management generally, with a great deal of experimentation occurring, particularly in large organizations.

The Context of Change

The nature of these changes can be understood best in the overall context of American industrial relations policies and the immediate context of recent economic developments.

The US industrial relations system. As most readers are aware, the U.S. economy is divided into union and non-union sectors. Workers in both sectors are protected by a variety of laws (many less than 25 years old) dealing with such subjects as minimum wages, maximum hours, discrimination on the basis of race, gender, or age, occupational safety and health, and pensions. Aside from the rights of workers and their unions to press charges, these laws are administered in a non-participative manner by administrative agencies and the courts. Indeed workers in the nonunion sector have no legally guaranteed rights to participate in company decisions[2].

In the unionised sector, workers' traditional avenue of participation has been through their unions. As we shall see later on, unions bargain over a wide range of personnel issues, including some left exclusively to management in other countries. The primary means of unionisation is through government-conducted elections. If a majority of workers vote for a union, it becomes the "exclusive bargaining agent" for all the workers. Otherwise it has relatively few rights.

Recent industrial relations developments. The U.S. enjoyed a quarter century (1950-75) of comparative industrial peace during which time unions made rapid wage and fringe-benefit gains. Nevertheless, unions were never accepted as equal "social partners" the way they have been in much of Europe, and, beginning in the mid-1970's the era of relatively stability was interrupted by a number of economic, demographic and ideological factors.

1. We will use the U.S. term, "workers' participation", since the term "industrial democracy", as used internationally, carries implications beyond the American experience.

2. In fact there are serious legal questions as to the extent employers may discuss "conditions of employment" with company-sponsored committees of employees. If the company is non-union, such a committee might be held to be a "company union." If a union is certified, dealing with such a committee without the union's consent might violate the union's exclusive bargaining rights (Sockell, 1984).

1. American manufacturing industry was severely affected by foreign competition, particularly since much of its technology was obsolete. The rate of productivity growth declined and the dollar was overvalued. The 1981 recession pushed many companies (such as Chrysler) close to bankruptcy. Unemployment skyrocketed.

2. Legal actions were taken to deregulate a number of industries that had been previously protected from price competition. Deregulation affected airlines, trucking, busses and railroads especially. In the first three industries it permitted the entry of non-union union, low age firms. The ensuing price competition had much the same impact on these industries that foreign competition had on manufacturing. In both cases management became strongly motivated to cut costs and increase productivity.

3. Perhaps almost as important were the shifts in the nature of both jobs and workers. Many industries shifted from <u>assembly line-large batch</u> to <u>custom-small batch</u> (in which each job is different) or <u>process-continuous flow</u> technology (in which workers'primary function is to adjust and repair the equipment when it isn't working right). Both custom and continuous-flow technologies require broadly trained employees who are committed to their work and prepared to exercise high orders of discretion (workers, who presumably, are more like the Japanese). Participation is particularly appropriate for these new technologies.

4. Meanwhile, American workers have become better educated, and many have learned to expect and even demand opportunities for participation. The women's movement has accentuated this trend.

5. Years of Business School preaching as to the merits of Theory Y and participative management began finally to have an effect. Perhaps more important, interest in Japanese management practices became the current fad among American managers. Various forms of participation, especially Quality Circles, were seen as the secret to management success.

Changes in management's industrial relations policies. In turn, the fundamental economic, demographic, and ideological changes had major impacts on management industrial relations policies.

As a means of raising productivity and increasing efficiency, managements began giving higher priority to what have come to be known as "human resource" policies, especially to motivation and developing commitment among their employees (Kochan, Katz, and McKersie, 1986). Many Personnel and Industrial Relations departments were renamed Human Resources Departments and given larger budgets and status. Both top management and top staff people began encouraging shop-level participation.

Another development was a generally tougher stance toward unions. With few exceptions, companies fought hard and with great success to prevent the spread of unions to unorganized work places, often skirting the law in doing so. As a consequence unions not only failed to grow as fast as the workforce generally, but actually lost members. Some of this loss was caused by a shift in the workforce from manufacturing to generally nonunion sectors, such as banking. But a substantial portion was due to determined management opposition to the spread of unions to non-union workplaces.

Companies also took a harder line towards their already unionised employees. In some instances they tried to get rid of the union altogether. Much more commonly they demanded "give backs" or "concessions". In most cases these concessions were justified by economic necessity. A number of key unions felt forced to accept wage freezes or actual cuts. Often, as a quid pro quo for economic concessions, unions insisted that management give them greater influence in determining organizational policies, often through the assignment of certain responsibilities to joint committees, but also through stock ownership or even union membership on company boards of directors. Thus concession bargaining has increased the extent of worker participation.

Given these developments it is convenient to think of three alternative approaches to eliciting worker involvement: direct, shop-floor participation; indirect participation through representatives; and stock ownership. We will discuss these in turn, recognizing that they are interrelated.

Direct Shop-floor Participation

For some time progressive American companies have professed their belief in participative management, although participation in practice often meant merely consultation with regards to the implementation of decisions previously made elsewhere. At best, participation was a style of management which facilitated informal communications[3].

Recently managerial interest has switched to formal direct shop-floor participation programs. These go under a number of names: job redesign, Quality Circles (QCs), Employee Involvement (EI), Labor-Management Participation Teams, and fall under the general umbrella concept of Quality of Working Life (QWL). For convenience, we shall group them under three heads: job redesign, QCs-EI, and the Scanlon Plan. In doing so, we should emphasize that in practice the three forms overlap greatly.

Initially, at least, all three were introduced with an intent to increase workers' sense of challenge, responsibility, and autonomy, and to release unused reserves of talent and energy. Although the avowed purpose was typically to increase job satisfaction and organizational commitment, managements were equally interested in reducing turnover, improving product quality, and, above all, raising productivity. In nonunion firms these programs often had still another objective: to keep unions out. Indeed such plans are still more common in nonunion than in union plants.

All three forms of workplace participation have been widely adopted, especially in new "greenfields" manufacturing plants in the Southwest. The first adaptations were concentrated in the non-union sector. But since the 1981 recession these plans have spread widely in the unionised sector, where their avowed and actual purposes have increasingly become to raise productivity, cut costs, and save jobs (or at least to minimize job loss). Further, as we shall see, they have become an important component of concession bargaining. To some extent unions have traded rigid, contractually determined work rules for greater input into decision-making.

3. This is sometimes called "Likert-type participation", in honor of its best known advocate. See Likert (1961).

A 1984 survey of 195 presumably representative companies reported that during a five year period 44 per cent had introduced worker participation programs, 28 per cent job enlargement, and 19 per cent rotational work assignments, while 24 per cent had quality circles (Bureau of National Affairs, 1984)[4].

Job redesign

The theoretical foundations for American job redesign programs have been the sociotechnical systems design model developed from Emery and Trist's work at the Tavistock Institute (Trist, 1981) and Hackman and Oldham's (1980) model of work redesign based the work motivation theories of organizational psychology. The sociotechnical model focuses on the group while the Hackman and Oldham model emphasizes individual workers. In practice, however, the two models have very similar prescriptions for the design of intrinsically satisfying and motivating jobs.

The main forms of job redesign are job rotation, job enlargement (which adds elements to the job "horizontally", lengthening the work cycle and requiring more skills), job enrichment (which adds "vertical", quasi-managerial job components, especially those of planning, supply, and inspection), and self-managing or autonomous work teams (which involve group forms of job enrichment)[5].

Work teams have been given responsibility for developing relations with vendors, determining which operations can be handled individually and which by the group as a whole, setting work pace (sometimes fast in the morning and slow in the afternoon), training new employees, and at one company (Malone, 1975), even keeping financial records. Sometimes work team members serve in roles normally reserved for staff personnel or supervisors: chairing the plant safety committee, redesigning work equipment, or troubleshooting customers' problems. At times the job of foreman is rotated among members of the group. When the G.M. Saturn plant opens, "councilors" (first-line supervisors) are to be elected by the workers.

> At the Topeka General Foods dog food plant (now part of Quaker Oats) self-managing work teams participated in hiring, firing, and wage-setting decisions as well as in planning, safety, and quality control (Walton, 1980).
>
> Similarly, the assembly of large grain driers at the Butler Manufacturing Company (Iowa) is done by semi-autonomous work teams. Team members decide how they want to organize the work process. Team members change job assignments frequently, both as part of a formal job rotation program and through informal arrangements. Team members handle work scheduling, quality control, direct service to customers, purchasing of tools and equipment and hiring of new workers (Hackman and Oldham, 1980).

4. Reports of this sort are only suggestive, since they indicate only whether a company has such a program anywhere in the company. Forinstance a large multi-plant company may have only one quality circle program in one department in one plant.

5. The novelty of "job redesign" can be exaggerated. Long before the term became popular there was a great deal of variation among plants in the same industry in breadth of job descriptions, in the autonomy given individual workers, and extent to which they transferred from job to job. Indeed craft workers in construction have long enjoyed many forms of autonomy, job rotation, and the like.

To make job design work, extensive cross-training is frequently required. At times, to reduce resistance to switching jobs, all production workers are placed in a single pay classification. And with "pay for knowledge", compensation is based on the number of skills a worker has mastered and is willing to practice -- rather than (as is traditional) the workers 's primary job assignment.

Quality circles and employee involvement programs

Quality circles and employee involvement programs (QC-EI) are the latest American fad and, in one form or another, they have been widely adopted, often with considerable fanfare. The two programs are much alike. In some cases they operate like autonomous work groups in that employees are permitted to implement their own decisions. More frequently their function is to recommend changes which management may implement if it wishes.

QC-EI teams typically consist of small voluntary groups of workers from the same work area who meet together on a fairly regular basis to identify and solve quality and productivity problems. Sometimes their supervisor acts as their chair, and sometimes it is a staff "facilitator" or even a rank-and-file worker. Frequently members of the group and the chair receive special training in such subjects as group dynamics and statistical analysis. Often too the staff facilitator has overall responsibility for coordinating the efforts of various teams.

Despite their name, QC-EIs often deal with subjects other than quality, for example work flow, productivity, safety, and workers' welfare generally. Often such committees start with housekeeping issues, and then, as their members gain confidence in working with each other, they progress to questions relating to productivity. Sometimes team members visit suppliers to check on quality.

> In "operating teams", functioning in at least ten General Motors plants, workers have the responsibility for "inspection, materials handling, housekeeping, and repairs." They meet periodically "to discuss production problems, review the pay system, and discuss impending business decisions such as the introduction of new machinery or upcoming work schedules...[T]he team regularly reviews the costs and revenues associated with the work area" (Kochan, Katz, Mowrer, 1984). Sometimes team members visit suppliers to check on quality.

Occasionally, QC-EI programs lead to job redesign and to modification of work rules. At the Packard Division of General Motors, for example, they developed into full fledged autonomous work groups (Kochan, Katz, and Mowrer, 1984)

Although instructed not to do so, at times they tread on areas normally reserved for collective bargaining and the grievance procedure. Understandably supervisors and union leaders sometimes view them as potential threats.

Scanlon Plan.

With an almost 50-year history, the Scanlon Plan is the oldest of the programs discussed here. The Plan represents an effort to elicit worker ideas for increasing productivity through combining direct and indirect participation with financial incentives. The typical plan provides for shop floor "production committees" which meet periodically to discuss suggestions from individual employees and to formulate general plans for improving productivity. Rejected suggestions or suggestions that affect the plant as a whole are referred to plant-wide "screening committees" which include top management as well as union leadership. Finally, savings due to increased productivity are shared (in accordance with a formula) by workers and company, with the workers' share being paid in the form of monthly bonuses (Schuster, 1983b; Driscoll, 1979; Strauss, 1979).

Since bonuses are paid on a plant-wide (and even company-wide) basis, success of the plan depends heavily on the development of cooperative relationships among all the workers, line managers, and staff in the plant. Perhaps because such cooperation is more difficult to achieve in larger organizations, Scanlon Plans are more common in small companies. Under the impact of the recent recession both unions and managements have shown considerable interest in "contingency based compensation" (compensation based on profits or productivity - rather than time spent on the job). And so the Scanlon Plan, an approach that combines both contingency-based compensation and participation, has received renewed attention.

Status equalization. Shop-floor participative programs are often accompanied by flextime and by the elimination of important status symbols, such as separate management dining rooms and parking lots (Strauss and Sayles, 1980). The principle of status equalization, in one auto plant, was carried to the extent that management stopped wearing neckties (Daily Labor Report, June 3, 1985, A-15). Increasingly, too, these programs are tied into gainsharing and profit sharing programs (Strauss, in press).

Early Joint Union-Management QWL Experiments

As mentioned above, early U.S. worker participation schemes were introduced chiefly into nonunion companies. In the mid-1970's, however, the Ford Foundation and the U.S. Department of Commerce helped finance a number of carefully monitored joint union-management demonstration QWL experiments. Among the common characteristics of these experiments were the following:

1. In each organization there was a steering committee including top local labor and management representatives; usually this committee spawned subordinate "working committees" or "task forces" consisting of those directly involved in the change effort.

2. Union and management signed shelter agreements allowing each side to withdraw from the experiment on short notice. It was understood that the collective bargaining agreement was not to be superseded except by specific, joint consent.

3. The steering committee selected an outside consultant, usually an individual or organization with a strong background in organizational development. Often a number of prospects were interviewed before the decision was made.

4. Separate independent outside researchers observed the change process, conducted attitude surveys at various stages during the experiment, and collected "objective" data on productivity, costs, turnover, and so on. Since experiments were often confined to one part of a larger organization, attempts were made to obtain comparable data from "controls" in the same organization.

Demonstration programs of this sort were introduced into more than a dozen settings. The three most fully documented occurred in Rushton, a coal mine in Pennsylvania, Harman, an auto parts factory in Bolivar, Tennessee, and an engineering department at TVA. We will outline these experiments, emphasizing the problems they encountered.

Rushton. This experiment involved a small coal mine and a local of the militant United Mine Workers. The program was initiated largely because of the interest of the company president and a member of the union's national staff (Trist, Susman, and Brown, 1977; Goodman, 1979).

Although there was a mine-wide steering committee, the nature of the change -- job redesign --was determined largely by the consultant, who had been involved in a similar project in Britain. Initially the program was confined to a single section rather than the mine as a whole. Prior to the experiment, the section consisted of three teams, each working a different shift. Each team included a foreman and seven miners, each with had his own set of duties and special pay rate.

The experiment consisted of making each team self-governing, with the foreman's responsibility being restricted to safety and long-range planning. All participants in the program were volunteers. Each miner was expected to learn the other miners' jobs. All miners' pay was raised to the top pay rate.

At the beginning of the program each miner received six day's of training (including role playing how potential problems might be handled). Every six weeks the section was shut down so that all the teams could meet together to improve inter-shift communications and to thrash out common problems. Later the program was extended to a second section of the mine.

The results? Attitudes in the experimental sections were generally more favorable. Safety improved fairly dramatically. The impact on productivity was difficult to measure. On balance it increased slightly.

Nevertheless, there were problems. Managers felt threatened. Nonparticipants began expressing jealousy toward the "superminers" who enjoyed both high pay and considerable autonomy. Some nonparticipants feared that the union leadership had sold out.

Meanwhile labor relations began to deteriorate in the coal industry generally, and this had an impact on the plant. After eighteen months experience with the experiment, the local union leadership gave management a choice: extend the program throughout the mine -- or drop it! The company negotiated a plan for extension, but when this was presented to the union membership, it was voted down 79-75. Management decided to continue the program unilaterally. Though union officers offered to cooperate informally, the program gradually disintegrated.

Bolivar. The genesis of the Bolivar experiment was a U.S. Senate hearing on worker alienation, at which Irving Bluestone, Vice President of the United Auto Workers and Sidney Harman, chief executive and principle owner of Harman International were witnesses. Finding themselves in philosophical agreement as to the value of QWL, they decided to introduce such a program at Harman's Bolivar plant. Located in a small country town, this dirty, rundown plant made auto parts (Duckels, Duckels, and Maccoby, 1977; Macy, 1982).

Initial support for the plan in local-level union and management was low. An elaborate 429-page report on worker attitudes and perceptions, prepared by a university team, remained largely unread.

Early meetings of the steering committee took up such issues as parking problems, ventilation, and the provision of Gatoraid (a soft drink) in vending machines. Activities accelerated after Harman replaced the plant manager and Bluestone made a special visit to plead for union cooperation. To inspire suggestions for change, a worker-management team was sent to observe innovative Swedish and Norwegian factories (many members decided that European approaches would not work in Bolivar).

Meanwhile three experimental groups of workers began discussing possible job redesign. From these discussions arose some changes in work methods and procedures, as well as the suggestion that the company institute Earned Idle Time (EIT), which meant essentially that once a worker had produced his day's quota of work he could go home and still earn his full day's pay. Once EIT was introduced in the experimental groups, other workers began demanding the same privilege, a request which the union and management granted reluctantly (since workers had unequal opportunities to earn EIT and inequities would be created). Thereafter 33 "core groups" (really QCs) were established to discuss departmental problems.

At one point competitive pressures made it likely that the plant would lose its contract for a key product. To meet this threat, company and union staff people met to plan cost-cutting steps, with management sharing much hitherto confidential information. Production standards were raised on some operations. The contract was saved, along with some 70 jobs. (Simultaneously there were unsuccessful negotiations about introducing a Scanlon-type plan).

In 1978, after the plan had been effect for five years, there was extensive but unsuccessful discussion as to institutionalize it, ie. how to make it permanent. By this time Harman had already left the company. Bluestone was soon to retire. The consultant role was phased out. The impetus of QWL continued in one department. Otherwise the experiment was over.

What did the experiment accomplish? Employment increased; turnover, absenteeism, and accidents dropped, in some instances dramatically. Both production and quality improved, the former in part due to negotiated changes in work standards and the incentive effects of EIT. Attitudinal changes were mixed. Workers felt they had more influence, but overall job satisfaction was unchanged and there were more reports of physical and psychological stress, in part due to self-induced pressure to earn EIT time. Support for the union increased. Another positive: the plan had continued through periods of recession and job loss.

But the program was far from a complete success. Initiative and support for it came chiefly from the consultants and from top union and top management, the last two located miles away. There was local enthusiasm mainly for EIT, which was primarily a plan to make it easier to leave the job, rather than to make the job more satisfying. As in other cases, there was opposition from middle and lower level management and from the "outs", work groups not involved in the primary experiment.

TVA. By contrast with the previous cases, this one involved graduate professional engineers and technical assistants. TVA, a government owned utility, had a long history of cooperative labor-management relations and a joint participative scheme, which had gradually decreased in significance. The new experiment, confined to one engineering design division and its two unions was intended to provide a fresh start (Tennessee Valley Authority, 1976; Macy,Peterson, and Norton, 1984).

The steering committee (half union, half management) selected a group of consultants, who in turn interviewed the vast majority of employees, seeking to determine the problems these employees saw. After a week's retreat, in which the the consultants' findings were discussed, the committee set up nine task forces (later another four were appointed). Each task force was assigned to deal with a critical organizational problem, such as record keeping or departmental structure. Eventually one-third of the division's 380 employees participated in one committee or another.

Among the task force proposals were changes in (1) workflow, including the elimination of unnecessary engineering drawings and the centralization of environmental protection matters in a newly created department, and (2) personnel practices, for example, flextime, a new performance evaluation procedure, and a ten-hour, four-day week for employees whose work required them to spend many nights away from home. Most of the suggestions were implemented. Among those which were abandoned was a plan for making special "merit" awards to employees who had engaged in outstanding service. Stumbling blocks here included questions as to who would do the judging and what would be the basis for comparison.

The program at TVA was a relative success. At least the changes persisted. Further, the parties voted to continue the consultation process (and to hire new consultants) after the original consultants left. Indeed an attempt was made to integrate the new participative system with the older, broader program.

Various measures of job satisfaction and perceived influence increased for the one-third of employees who had participated in the various committees. There was little change in similar measures for nonparticipants. Given the nature of the job, measures of productivity were difficult to devise.

The problems here were much the same as in the other two groups. Initially, there was unequal interest among employees in participation, and those who did participate felt more involved than those who didn't. Middle management was under-represented on the various committees and felt bypassed. The Divisional Manager attended only some of the steering committee's meetings. As in other cases, issues relating to compensation (such as the "merit" award -- or the relationship between draftsmen and engineers' pay) were difficult to resolve on a cooperative basis. Over time, as the task forces ran out of easy problems to resolve, enthusiasm for the program began to decline. Perhaps the original expectations were too high.

Lessons and problems.

Shop-floor participation has positive advantages, though the nature of these vary from situation to situation. Nevertheless a number of problems are present in both nonunion-worker-participation projects and in carefully monitored joint union-management experiments like the ones just described.

1. The introduction period is especially critical. All parties must understand their new roles. Expectations should be realistic (Walton, 1980).

2. Not all workers want added responsibilities or enriched jobs; some would prefer their secure routines to remain unchanged. Involvement appeared greatest among professionals (TVA), next among skilled miners (Rushton) and least among the semi-skilled (Bolivar). U.S. employees are less convinced than are Japanese that increasing productivity will improve their welfare.

3. Participation is resisted and sometimes sabotaged by middle-and lower-level managers (especially by foreman) , and for a variety of reasons (Klein, 1984; Bradley and Hill, 1983; Kochan, Katz, and Mowrer, 1984; Walton, 1980; Strauss and Sayles, 1980). For workers one the main advantages of participation is the greater freedom to make decisions on their own, rather than having managers hover over them. Understandably this freedom to threatening to managers. Among the problems are the following:

Managers' status is threatened (loss of separate parking lots is symbolic of much wider losses).

Their authority is threatened. Workers are encouraged to make decisions on their own. They may even bypass supervisors and contact staff people and suppliers directly.

In some cases, supervisors' very jobs are threatened. Job redesign may lead to one or more levels of management are eliminated, as they were in a Ford transmission plant[6].

Managers are forced to learn wholly new techniques of supervision, such as soliciting workers ideas. Often these are completely at variance with what tradition has taught them is right. They are uncertain as to what they are supposed to do, and this is very threatening.

Finally, first-line supervisors feel discriminated against. Though forced to share power, they don't see their boss's sharing theirs. They are ordered into a system that typically they had no part designing. They see guaranteed job security for workers, but none for themselves.

6. Self-managing work teams threaten management more than do quality circles, and some companies have backed off after having gone that far (Kochan, Katz, and Mowrer, 1984).

Managers may resist unconsciously as well as consciously. Evidence suggests that the success of participation plans depends heavily on managers' trust in their subordinates and in their belief that their subordinates are in fact capable of making worthwhile suggestions (Miles and Ritchie, 1971). Where trust is lacking (for example, where the supervisor views participation merely as a morale builder), the parties go through the motions of "counterfeit participation" (Heller, 1971) but desired payoff in terms of productivity and satisfaction may not be obtained.

4. As we see below, adjustment is equally difficult for union leaders who are required to suspend their adversarial roles and perhaps feel threatened by newly empowered participant groups.

5. Unless everyone in the organization participates, tension is likely to arise between participants and nonparticipants, as nonparticipants become jealous of what they see as participants' special privileges (witness the complaints against the "superminers").

6. Pay is a problem throughout. As productivity and responsibilities increase workers want more pay; they see themselves doing supervisors' work without supervisors' pay. Further, they think it unfair for management to keep all the benefits. Yet management often thinks psychic rewards should be enough and resists all forms of additional monetary compensation.

Where compensation is increased, it is always a problem deciding how to distribute this. For example, if pay for lower-paid workers is adjusted upwards in multi-skilled work teams (as it was at Rushton), the formerly higher-paid feel discriminated against.

7. Finally, commitment to participative efforts is difficult to maintain. Initially, worker participation raises expectations of opportunities for steadily increased participation, yet after workers have successfully coped with the problems of redesigning their jobs and found solutions to production problems and work quality difficulties, a period of let-down ("burnout" or "plateauing") is almost inevitable. Workers' decision-making skills have increased but the unresolved problems management lets them handle have decreased (Malone, 1975; Walton, 1980).

Management commitment likewise dwindles over time. By contrast with Japan and Sweden, where such programs have had strong support from engineering departments and line management, the support and responsibility for such programs in the U.S. is typically diffuse, with outside consultants rather than line management often being the prime movers (Cole,1982). Without strong management support, shopfloor programs are unlikely to survive. In the three cases just discussed, the key roles of initiating and implementing the programs were played by top union, top management, and outside consultants. With the exception of TVA, none of the programs developed sufficient internal commitment to continue once outside support was withdrawn.

Recent Joint Programs

Despite the problems associated with shop-floor participation programs, these have gradually spread in both union and nonunion sectors. The 1973 agreement between the Autoworkers and the major auto companies contained a clause endorsing such projects and joint national committees were established to encourage and review such programs. Most of the early experimentation occurred at G.M., in part because of strong support from Irving Bluestone, Director of the union's GM department and the man who was heavily involved at Bolivar. A QWL program was credited with saving General Motors' Tarrytown, New York plant from being closed. Outside the auto industry, the Communications Workers Union was an early QWL supporter. Today this union and the various telephone companies are reportedly involved in some 1,000 joint QWL projects covered some 50,000 workers.

To protect worker and union sensibilities, early programs focused on job satisfaction, safety, absenteeism, and quality. At first, increased productivity was rarely mentioned as one of possible outcomes of participation. But with the coming of the recent recession and concession bargaining, the emphasis shifted more openly to cost cutting and productivity. Faced with bankruptcy, managements anxiously sought greater worker involvement, while unions became convinced that cooperation might save their members jobs. At the same time QWL programs (sometimes tied in with productivity bonuses) have spread also to city governments and their unions.

Kochan, Katz and Mower (1984, p. 84) describe a rather dramatic example of how direct participation helped reduce costs in a company suffering financial difficulties:

> "A team of approximately 70 people was formed...This team in turn recommended that they take the problem to the entire plant population. The president agreed to shut the plant down for one full day, rented a large auditorium, and invited all employees to the meeting. At the meeting, the president, the plant manager, and the industrial relations manager outlined the cost, profit, and competitive restrictions facing the plant. The work force was then divided into groups of 50 to 60 people. Workers who had been trained as leaders ... led the sessions in group problem solving and brainstorming. About 3,000 suggestions came out of the sessions... The implementation of these ideas was estimated to have saved the company $13 million. This was the result of an investment of approximately $250,000 (the cost of shutting the mill down for one day and paying the workers for the time lost at the plant meeting)."

In many cases "concession bargaining" led to agreements to combine jobs and permit more flexible use of manpower. In Kansas City, for example, a once-hostile relationship between United Air Lines and the Machinists Union was transformed into one in which, according one report (Wall Street Journal, 1984) worker productivity was 40 percent higher than the average at other locations, there were fewer supervisors, individual workers assumed more responsibility, and, unlike other locations, workers performed more than one task. (Aircraft mechanics, for example, also worked on ground equipment.)

The Auto Workers have negotiated over job redesign in individual plants. Job classifications (such as carpenter and millright) have been consolidated (this is often called "broad banding"). Cross-training has been provided, so that workers primarily assigned to one classification can work in another. "Pay for knowledge" and "operating teams" have become more common. Thus far, however, these new approaches have been confined chiefly to new or refurbished plants, plants which were non-union until recently, and the new GM-Toyota joint venture. Worker resistance to the break down of job classifications is still high in long-unionised plants. But even long-unionised plants may accept job redesign where the alternative is unemployment. Almost all the employees at NUMMI, the joint G.M-Toyata car plant in Fremont, California, worked there when it had the reputation of having some of the worst labor relations in the U.S. But most workers had suffered financially during the three year period while the plant had been shut down. They were delighted to return under any conditions.

Union attitudes

Though unions overall have become somewhat more favorable toward participation over the last ten years, the transition has been difficult. Unions find the problem of job dissatisfaction inherently difficult to resolve through the adversary techniques of collective bargaining. "A union demand is a negotiable demand which, if not satisfied, can be met by a strike," said one AFL-CIO leader (Jenkins, 1973, 317). "How do you talk about job redesign questions in terms of a negotiated demand and a possible strike?" Noting that participative programs have been introduced into some militantly anti-union companies, many unionists still view these as chiefly union-busting techniques (Grenier, 1983). Even today some oppose the entire participative movement on almost ideological grounds. "The only time the lion and the lamb will lie down together," it is quipped "is when the lamb is within the lion." They see it as a form of manipulation and speedup and as an attempt to deflect workers' attention from their economic problems. As a unionist put it "The best way to enrich the job is to enrich the pay". Finally, there is fear that such programs will "coopt" workers, and that unions will be either diverted from their true mission or actually begin to accept management's point of view[7].

Thus union attitudes today are generally mixed. At the national level, the Communications Workers and to a lesser extent the Auto Workers have been generally supportive (subject to appropriate controls). Another major union, the Machinists, has been somewhat hostile. In between are national unions which either encourage local-level experimentation and provide staff support for such experiments, and those which adopt a position of neutrality, allowing local unions to make their own decisions (Kochan, Katz, and Mowrer, 1984).

At the local level there is also considerable variation. A few locals actively resist all participative efforts. Others adopt a passive, "watch dog" policy, allowing management to introduce and administer various schemes so long as these don't interfere with the union's contractual rights. Still others take an active role and make participation a joint venture (such, for example, is the UAW's policy). To the authors' knowledge no union has taken the initiative to make shop-floor participation a contract demand.

Unionists have objected most strenuously to participative programs that management introduce unilaterally, without consulting the union. But regardless

7. According to Victor Reuther (1986), brother of the famous Walter, "The Saturn agreement [for the new plant which will make small cars] makes a mockery of free collective bargaining and represents little bargaining and much surrender... [C]oncessions were exchanged for the illusion of a worker voice in management and a mythical partnership. Yes, a voice in raising productivity and profits, but no real voice in corporate investments, none in scandalously high executive salaries and stock options. No voice for workers or consumers in car prices."

of how such programs are introduced, they are likely to affect pay, promotional ladders, and job descriptions.

Historically the thrust of collective bargaining in the U.S. has been to rigidify and codify personnel practices. In the typical unionised plant, decisions as to the allocation of work among workers are made on the basis of collectively bargained seniority and job description rules. Many workers believe strongly that job demarcation and seniority rules give them quasi-property rights in their jobs, rights they are willing to fight hard to preserve[8].

Among the major causes of resistance to "concession contracts" in some plants is that they require giving up these long-enjoyed work rules. Job redesign requires the combination of some jobs and the blurring of boundaries between others. Self-managing work teams tend to erase the sharp line between workers and managers; a distinction which American unions have long sought to maintain. New career patterns disturb established promotional ladders. In plants with the most advanced of the new forms of participation decisions as to the allocation of work are made by the work teams on a flexible ad hoc basis[9]. In short, collective bargaining leads to what the Webbs called the "common rule"; by contrast, the whole participation movement promotes experimentation and diversity. Transition from one system to another is difficult.

Under these circumstances some unions negotiate guarantees or "shelter agreements", providing that the entire program be subject to control by a joint committee. Each side is allowed to withdraw from the experiment on short notice. It is understood that the collective bargaining agreement is not to be superseded except by specific, joint consent[10]. At Xerox, for example, the parties distinguish between "on line" topics, which can be discussed by QWL teams, and "off line" subjects which are covered by collective bargaining and therefore outside the team's purview (Kochan, Katz, Mower, 1984).

In practice, however, a rigid separation between participative and collective bargaining issues is difficult to maintain. All is simple as long as the participative team confines itself to purely housekeeping issues. But, once the group begins exploring possible means of cutting costs or making changes in the "socio-technical" system (for example, through changing job assignments and pay) they inevitably impinge on matters which relate directly to the heart of U.S. collective bargaining. For example, as a means of cutting costs and saving their own jobs, members of a work team at Xerox recommended that part-time workers be hired and transfer opportunities be restricted. Both proposals would have violated the contract. In companies which have moved into more advanced forms of participation, such matters are typically referred to plant- or company-level representative committees (as we discuss in the next major section).

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8. According to a Wall Street Journal article, one of the main causes of the Steelworkers-USX strike (at this writing in its fifth month) was the company's "proposal to combine certain skill and craft jobs" (Russell and Burrough, 1986).

9. In a sense, this flexible, ad hoc approach to personnel problems is a bit more like German codetermination than American collective bargaining

10. By contrast with many European forms of industrial democracy, which are viewed as means of extending the area of joint union-management decision-making, unions in the U.S. tend to view shop-floor participation as a threat to their own powers.

In earlier years shelter agreements included provisions protecting workers from losing their jobs or suffering loss of pay because of participation. Under concession bargaining conditions such guarantees were difficult to make. At times the only way to keep a plant open was to agree to work rule concessions that might result in some workers losing employment but preserving the jobs of the rest.

For all these reasons, joint union-management QWL-QC programs have had various degrees of success. Keeping them going is often more difficult than getting them started. Without continuous effort, such programs may simply atrophy. Success depends in part on whether trust has developed on both sides and in part on whether the key participants have been trained for their new functions (Schuster, 1984; Kochan, Katz, and Mower, 1984)). Indeed a new role -- the union QWL-QC coordinator or "facilitator" -- is gradually developing. Along with management and neutral consultants, this union consultant has a very sensitive function.

Conclusion.

Despite its problems, support for shop-floor participation seems to be on balance increasing. Not long ago, both management and union put participation low on their priority list. Today the situation is changing. In many companies today top management is beginning to view QWL as perhaps the best way available to achieve a more committed and productive workforce. Similarly, a growing number of union leaders have been convinced that QWL is an effective means (parallel with collective bargaining) of protecting workers' rights and of meeting the needs of a better educated workforce which wants more from the job than merely money and security, significant as these may be. As Steelworker President Williams puts it, a significant "worker voice in the how, why, and wherefore" of their work will be among the dominant union demands of the next half century (Daily Labor Report, July 12, 1985, p. 1).

In unionised plants, direct shop floor participation (whether called QWL or given some other name) is frequently accompanied by various forms of indirect, representative participation, a process to which we now turn.

Indirect Participation Through Representatives

At first glance the last few years have seen the US take significant steps toward industrial democracy. By contrast with a few years ago, when collective bargaining was the only form of indirect participation felt to be legitimate by either labour or management, today union representatives sit on the boards of directors of several major companies. Joint union-management committees, dealing with important issues, have become more numerous. Workers now own a substantial portion of the stock a number of large companies; in some cases they hold a majority of it.

The significance of these developments can be easily exaggerated, however. To a considerable extent they represent spin offs from the recent waves of concession bargaining - quids pro quo for the very substantial economic concessions agreed to by key unions at the depth of the recession. And, as we shall see, the rapid growth in employee stock ownership is due largely to a special provision of the tax law.

The traditional union view

Foreign visitors, influenced by the widespread union support for industrial democracy in Europe, often ask why the American labour movement does not also seek to share in management control. American unionists' standard answer, at least until recently, was that collective bargaining American-style already provided an effective form of industrial democracy. (Indeed, through much of U.S. history the terms "industrial democracy" and "collective bargaining" were almost a synonymous. Derber, 1970.) Thus the various forms of worker participation -- QWL programs, profit sharing, worker stock ownership, and union membership on company boards of directors --- were all viewed as irrelevant or antithetical to the American tradition of adversarial bargaining. Indeed -- as we have seen -- some argued that these techniques were designed chiefly for union busting.

To some extent American unionists were right. Once they have won an election and are certified as legal bargaining representatives, American unions have the legal right to insist that management bargain with them over a broad range of issues: wages, work schedules, health benefits, discipline, promotions, training, layoffs, work rules, technological change, work pace, and practically everything covered in Britain under the term "custom and practice". The results of bargaining are written into contracts which may be hundreds of pages long. Painters' contracts, for example, set the size of paint brushes; longshore contracts provide guaranteed lifetime employment for many dockworkers; those in the movie industry regulate in elaborate detail the size of film credits.

Beyond this, American industrial relations has developed an extensive quasi-bureaucratic grievance system which interprets and applies the contract as specific issues arise and often works out solutions to problems not covered by the master document. The grievance procedure may deal with issues as seemingly trivial as the extent of choice in the company cafeteria or the thickness of toilet paper. Most issues are resolved at lower levels. Those remaining are heard by an arbitrator, selected and compensated by the parties, whose decision is normally final and legally binding.

Compared with US practice, European collective bargaining is typically conducted on an industry-wide basis and its subject matter is relatively narrow. Thus, from an American point of view the European demand for industrial democracy represents merely an attempt to strengthen plant-level bargaining and to extend its scope to cover the broad range of subjects already standard in the U.S.

Nevertheless, the similarity between U.S. collective bargaining and, for example, German codetermination can be overdrawn. In the first place, the non-union eighty-three percent of the American workforce has no right to be consulted. Secondly, though U.S. union have the right to <u>bargain</u> over issues such as sick leave benefits, there is no guarantee that they will have the economic power to <u>win</u> their demands. Finally, while U.S. unions negotiate over the <u>impact</u> of plant shutdowns (eg., they can negotiate redundancy payments, retraining allowances, and the like), they rarely negotiate over whether a plant should shut down in the first place. Neither do they negotiate over investment policy, the location of new plants, or the acquisition of new subsidiaries. At least in Germany, workers and unions have more influence over these subjects than they do in the U.S.

In fact American law draws a distinction between mandatory and permissive subjects of bargaining. Included among the permissive subjects are such strategic managerial issues as the decision whether to shut down a plant. About these the union has no right to strike. Indeed, the Supreme Court has recently ruled that "Congress had no intention that the elected union representative would become an equal partner in the running of the business enterprise."[11]

Concession Bargaining

The recent recession was to change this, at least some. The problems were too serious to be resolved on a purely adversary basis. Faced with massive unemployment and the threatened (as well as actual) bankruptcy of key employers, a number of unions agreed to significant cut-backs in their economic benefits. During 1982 three of the country's largest unions, the Autoworkers, Steelworkers, and Teamsters, each separately agreed to renegotiate its contract before it was scheduled to expire and in each case gave up hard-won gains, especially cost-of-living adjustments (indexation). In 1983, 32 percent of the workers covered by new contracts in manufacturing took pay cuts and another 24 percent received no wage increase. Other common concessions included reductions in holidays and greater flexibility for management in making work assignments.

Concessions continued through 1984, 1985, and 1986. Particularly in the airline and steel industries there have been two or three concession rounds; in some cases unions have made concessions two or three times in a row.

In return for these concessions unions have won some small but fairly significant (if only symbolic) increases in their formal rights to be consulted in company decision making. For a while, too, the parties suspended their adversarial relationship and cooperated in making difficult personnel decisions. There were at least two reasons for these developments. First, both sides recognized that cooperation was essential for mutual survival. Secondly, it was politically difficult for union officers to ask their membership to give up wages and working conditions without getting something in return. But under the conditions of the early 1980's, when some companies' continued existence was very much in doubt, management could offer the union little except the hope that lower labor costs would increase the company's chances of survival. In most instances, nevertheless, the union was able to negotiate at least some sort of token counter-concession that it could take to the the members to show that they had won something in return for their own concessions. Often this counter-concession took the form of a modest increase (or apparent increase) in union influence over subjects previously strictly subject to management's sole control.

From the point of a view of companies who were in a poor position to make financial counter-concessions, concessions in power were cheap. "For decades, the bargaining strategy of companies with unions was to give away pay and benefits to preserve managements rights," one observer put it. But, now "many companies are

11. First National Maintenance Corp vs. N.L.R.B., 452 U.S. 666 (1981).

reversing it. They're giving away management rights to save money" (Quinn Mills cited in Wall Street Journal, 1983).

Information. Company financial records traditionally have been viewed as confidential in the U.S., except in so far as they are required to be divulged by law or Stock Exchange rules. A common counter-concession was to permit the union to inspect the company's books. United Airlines, forinstance, allowed a two-person committee from the Air Line Pilots Association to verify United's account of its competitive problems. Indeed, under adverse conditions many companies became anxious to share financial information. As a cynical unionist put it, "When companies are making a loss, they open the books; when they are making a profit they close them tight."

Though few companies have formally agreed to share information beyond that now required by law, on an informal level information sharing has increased. Part of this, of course, was merely to soften up unions to make concessions (for example, U.S. Steel developed a slide show on its labor costs, which it privately showed union leaders just before negotiations commenced). But in many cases management in fact seems to have turned over a new leaf, in part believing that frankness might facilitate cooperation. For example, management's willingness to share cost and profit data at Bolivar contributed to the union's acceptance of tightened production standards. Kochan, Katz, and Mower (1984, p. 89) describe how, at a Ford plant, "for the first time, the plant manager was forewarning union officials about upcoming layoffs and new machinery, and asking for advice on how they might best be implemented." The better understanding so generated contributed to a new agreement on work rules.

Investment guarantees. With considerable justification unions frequently blamed management for its failure to to reinvest in plant and equipment and thus to keep technology up to date. As unions saw it, the concessions they made represented an investment in their employer's future. To prevent the company from siphoning the savings generated by concessions into stockholders' pockets or into other businesses, unions frequently asked for guarantees that these savings be reinvested in the plants from which they were derived.

The steel companies agreed to this in principle, however since savings from concessions came to only $1 billion a year and the industry's normal capital investments were $2 billion, the agreement made little practical difference. Aside from steel, few companies were prepared to give firm guarantees as to how much they would spend.[12] A number of meatpacking firms agreed merely to provide the union copies of their annual investment plans. Even this concession was significant, since previously most companies had insisted that investment decisions were purely management prerogatives.

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12. In return for a variety of concessions, the Singer Company made a written promise to invest $2 million to restructure its Bayonne, New Jersey plant. When it closed the plant instead, the union sued the company, winning $3.5 million in damages, to be distributed among the displaced workers. Local 461 v. Singer Company, 110 LLRM 2407 (1982).

In another case enforcing a concession contract, Western Union Corporation was ordered to turn over the union all documents reflecting on the company's financial health, operation and structure. "There has been a promise made by the corporation to bring workers into management and ownership" said the judge, adding that workers could not take part in management decisions without knowing about company operations (Daily Labor Report, April 11, 1984, p. A-6).

At the other extreme, GM has established a fund of $100 million and Ford one of $30 million to finance joint union-management initiatives outside the automobile industry.

Joint committees.

Since joint union-management committees are representative committees which deal with issues involving more than a single workplace, we distinguish them from the shop-floor QC-EI committees, previously discussed.

Joint committees dealing with such subjects as safety, training, and scrap reduction were fairly common in American industry well before the concession bargaining era, especially during World War II (Jacoby, 1985). Traditionally such committees dealt with matters that were considered peripheral to the main collective bargaining relationship, matters about which the interests of the parties were seen to be sufficiently congruent that they could be resolved in a cooperative non- adversarial way. Like Joint Consultative Committees in Britain (sometimes called "tea and toilet committees"), these American committees played rather minor roles.

Recently these joint committees have proliferated (particularly in the auto industry) and they have been given more important duties. They operate at both the company and plant levels. Some such committees deal primarily with issues affecting individual welfare[13].

> As the Chair of the City of Oakland (California) Labor/Management Productivity Council described it "The council was formed to consider long-term issues not resolved at the bargaining table as well as ongoing problems at the work site" (United Worker, November 1984, p. 4). So far the Council has dealt with comparable worth, physical fitness programs, employee service recognition, childcare and upward mobility training. It has also worked on getting special chairs for employees working on video display terminals and new equipment for parking meter checkers, as well a "stay well" program designed to encourage workers to stop smoking and improve their nutrition.

Other representative committees (sometimes called streering committees) monitor and facilitate the development of QCs and job redesign at the shop level[14]. Still others have been charged generally with enlisting worker ideas and energies to reduce costs, improving productivity and quality, and facilitating teamwork. For example,three joint committees were established at Xerox to study work flow problems, equipment purchases, and inventory controls respectively (Daily Labor Report, February 15, 1984). Their recommendations are credited with saving 180 jobs. Crown Zellerbach and its union established Joint Operations Committees in each of their operations with the Committees charged with providing "core leadership" for the company's logging operations.

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13. A union business agent described how his joint committee was heavily concerned with sanitation. "I just don't have time to check every toilet on the property. The committee members do."

14. These committee, of course, sometimes view their role not as cooperative, but instead as insuring that joint activities don't violate workers' rights as guaranteed by contract.

Recent auto contracts have spawned a maze of committees. One set is charged to review job design, new plant layout, changes in manufacturing equipment, and major new processes, all with the purpose of reducing stress. In addition, there are plant-level committees (called "Mutual Growth Forums" at Ford) whose functions are to provide informal forums for exchange of information and the discussion of investment and other issues which might affect employment or workers' welfare. There are national and local Quality of Worklife Committees to supervise local and shop level efforts in this area.

Another series of company-wide and plant-level committees administers the funds ($1 billion at GM) to provide training and new forms of employment for employees laid off due to technological change or outsourcing. A joint union-management study group (including 60 union representatives) helped plan GM's new Saturn project to build subcompact cars (Daily Labor Report, December 21, 1983). At GM still other company-wide committees deal respectively with Health and Safety, Attendance, Substance Abuse Recovery, Tuition Assistance, and Skill Development and Training. Some of these committees administer substantial funds. Many have local counterparts, for example, a Hazardous Material Control Committee at each plant. Finally, to coordinate these various activities -- and to reassure union activists who fear these committees will insufficiently protect workers' interests -- at G.M. there is capstone, overall Executive Board-Joint Activities Committee (Daily Labor Report, September 27, 1984).

Similar but less widely publicized committees exist in many non-union companies. In only a few cases do such committees, whether union or not, have independent powers or budgets (the joint GM-UAW training committee is very much the exception). For the most part these committees are advisory to management.

Area Labor-Management Committees. To facilitate cooperation at both regional and plant levels Area Labor-Management Committees have been established in some twenty-five communities badly hit by plant shutdowns (Siegel and Weinberg, 1982, Chap. 4). Typically these have included representatives from a number of unions and companies and the community generally. Often there is a paid staff and government funding[15]. Perhaps the most carefully studied of these is the Jamestown Area Labor-Management Committee, established in a depressed manufacturing community with small, antiquated plants and a reputation for bad industrial relations (Whyte, et al, 1983). With government funding and the assistance of experienced university consultants (e.g., William F. Whyte and Eric Trist), this Committee has engaged in a number of activities: sponsoring joint committees in individual plants to deal with such issues as redesigning plant layout; developing leadership for these committees and facilitating the exchange of experience among companies; and the establishment of training programs through the local community college to upgrade workers' skills.

15. The government has taken an active role in encouraging joint labour-management programs, especially at a regional level. With a budgeted 1985 staff of 73, the Department of Labor's Bureau of Labor-Management Relations and Cooperative Programs represents the Reagan administration's only major expanded labour program. The Bureau provides financial assistance to local committees and holds workshops at the local, state, and national levels. The Federal Mediation and Conciliation Service performs a somewhat similar service.

Membership on company boards of directors

Union representatives now sit on the boards of Chysler and American Motors in the automobile industry, Republic, Pan American, and Western Airlines, Wilson Foods, and several financially troubled steel and trucking firms. In addition there are worker directors (not always selected by the union) in a considerable number of ESOP and buyout situations, as described below.

Union leaders are troubled by the apparent conflict of interest that union board-member representation occasions. They are divided as to the extent they should take responsibility for making difficult production and investment decisions, some of which may involve layoffs. To date this dilemma has been resolved in three ways: (1) the worker representatives are eminent outsiders who presumably are sympathetic to workers' interests but receive no specific instructions as to how to vote (this is the approached followed by the Teamsters union); (2) a key union representative is selected, but he resigns his union role (as did Robert Gould, formerly chief negotiator for Pan American pilots), or (3) a key union representative is selected but he absents himself from the board when collective bargaining strategy is discussed (as did Auto Workers President, Douglas Fraser, while on Chrysler's board). All three strategies are inconsistent with the common European view that the union-director's main role is to influence industrial relations decisions.

U.S. experience with union-selected directors is still too limited to generalize with confidence. As has been the experience in other countries (Strauss, 1982) union directors in some cases have been handicapped by rules keeping board deliberations confidential, thus restricting themselves from communicating with constituents (Hammer and Stern, 1983). Directors from the shop floor lack the technical expertise to make contributions in areas such as finance; by contrast, outside experts lack knowledge as to conditions within the company. Further, regardless of the union director's skill, management can usually keep key issues to workers off the board's agenda. In any case, boards, which meet as infrequently as once a quarter, may exert little real influence.

Nevertheless, Fraser reports that while on the Chrysler board he was able to stave off some plant shutdowns, and he vigorously opposed paying high salaries, bonuses, and substantial stock options for management while workers were still making concessions (Bokovoy and Cheadle, 1985). At Hyatt Clark, union representatives successfully diverted to profit-sharing bonuses monies which management had intended to reinvest.

Although some observers view these developments as leading toward German style codetermination, union board representation (as opposed to representation by individual workers) is unlikely to spread much beyond a few crisis situations. Union leaders are still quite reluctant to be held responsible to their membership for management's decisions. In none of the major cooperation cases, other than Rath (to be discussed below), did unions select a majority of the board. Further, although union leaders no longer oppose board membership on a principled basis[16], neither is it high on their priority list. Nor is it on management's.

Unions and company takeover bids

Perhaps unions' greatest opportunities for intrusion into management have involved company takeover bids. The last few years have seen numerous struggles for company control, particularly as hostile "suitors" make "takeover" bids to buy existing companies, usually with the objective of displacing management and selling part of the company's assets. In these battles unions have been playing increasingly active roles, in effect participating in the determination of who will be management[17].

> For example, TWA's unions -- faced with a threat by the strongly anti-union company, Texas Air, to take over their company -- threw their support to Carl Icahn, a rival suitor. The pilots' union agreed to a 20 per cent paycut were Icahn the victor, but made it clear that similar concessions would not be available to Texas Air. In a somewhat similar situation, the federal government was trying to sell Conrail (formerly the Penn-Central railroad) to private owners. After originally proposing to buyout the company themselves, the unions began actively supporting the bid by the Morgan-Stanley group -- which would keep the railroad independent -- as against that by the Norfolk Southern Railroad, which would have merged Conrail's operations with its own, and thus reduced total railroad employment. Eventually Congress decided to keep the railroad independent.
>
> Much the same result was achieved at Wheeling Steel where the union struck rather than make concessions to what it felt was an anti-union management. When a new, more sympathetic management was installed the union became more cooperative.e

To assist in these efforts, unions are increasing hiring the services of investment bankers[18]. Shades of Karl Marx!

Problems with representative participation

Representative participation, whether through worker directors or joint committees, has enjoyed various degrees of success. Union optimists anticipated that they would give workers greater say in how the plant was operated. Pessimists

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16. Thus, Steelworkers President Lynn Williams predicts that "in the future, particularly with the growth of Employee Stock Ownership Plans, I expect workers' interests to be represented on many corporate boards" (Daily Labor Report, January 3, 1986, p. D-3); but he warns against the election of union officers, which "might give rise to conflict of interest accusations". Instead, unions should seek board representation by "outside professionals" (Daily Labor Report, July 12, 1985, p.2).

17. Public sector unions frequently use the political process to change managers through the ballot box. Now, occasionally, provide sector unions are seeking to change management, but through use of economic pressures.

18. The United Steelworkers make use of Lazard Freres, the Eastern Airlines unions used Skadden, Arps, Skate, Meaghan, and Flom, a Wall Street firm specializing in takeovers.

saw them merely as a forum in which further work rule concessions would be orchestrated. In practice, both optimists and pessimists have been proved partly right.

In the past participative efforts were often launched with great fanfare but either stalemated because of the parties' continuing hostility or gradually atrophied because of lack of interest (Schuster, 1983a). For example, the 1959 steel contract gave a high-level "Joint Human Relations Committee" the mission to develop more cooperative relations in the steel industry. In 1964, with the election of a new national union president, this committee died. The 1971 steel contract established joint "Productivity and Security Employment Committees" in every plant. By 1978 these had practically disappeared, the victims of internal struggles and lack of priority on either side's agenda. In 1980 these committees were reintroduced with much the same charge, but this time called "Labor-Management Participation Teams". Understandably there was much cynicism as to whether these new committees would do any better than their predecessors. But economic conditions had changed since the 1970s, and some of these steel committees have begun to take root (Kochan, Katz, and Mower, 1984, pp. 65-84).

There have been at least some successful cases, where joint committees, having weathered strikes and layoffs, seem to have acquired an institutional life of their own. A careful study of joint committees in the auto industry suggests that they have had at least spotty success, particularly in improving quality, if not productivity (Katz, Kochan, and Gobeille, 1983).

By now enough experience has been accumulated that we can be specify some of the problems that need to be overcome if participative efforts are to take root. These are unrealistic expectations, threats to union and management power, non-participant discontent, and economic problems.

Unrealistic expectations. Aside from the tangible agreement represented by concession bargaining, there was often an unspoken agreement that the parties would turn over a new leaf and start to trust each other. As Ford's director of industrial relations put it, attitudes began changing "from we vs. they to us; from adversarial to converging; from rigidity to flexibility; and from partisan to common interest" (Slaughter, 1983, p.54). Indeed for a while in some companies a spirit prevailed akin to that in Britain after the Dunkirk disaster of 1940. According to some reports, when Chysler's fortunes were at their lowest, its president, Lee Iacocca was cheered by workers as he toured the assembly line. It was cooperation of this sort that made possible the previously discussed United Air Lines-Machinists success in Kansas City. A Dunkirk attitude led a plant in Armco Steel to adopt an elaborate reorganization of its production process, put together in great haste by a group of its workers, when faced with the immediate prospect that the company would buy its steel slabs from overseas rather than manufacturing them locally Wall Street Journal, March 3, 1984).

Unfortunately, a Dunkirk spirit is pretty fragile. Management frequently blew its chances. An implicit understanding in most concession bargaining was that there would be "equality of sacrifice". In numerous cases, however, management violated this expectation by such acts as raising managerial salaries shortly after workers accepted substantial pay cuts or by breaking implicit understandings not to shut down plants. Too often management insensitivity to workers' feelings (and good public relations) did much to dissipate early good will.

Another expectation was that the sharp lines between management's prerogatives and practices covered by the contract would be blurred. Instead of some subjects being closely regulated by rigidly bargained work rules and others completely under management's control, the new expectation was that with regards to a broad set of issues all decisions would be made through mutual discussion. In particular management would consult with the union before taking major actions that might jeapodize workers' interests. When management violated these expectations, as U.S. Steel did in deciding to import steel rather than make it at its Fairless plant, cooperative efforts were set back at all levels. Similarly AT&T violated these expectations when it announced substantial personnel cutbacks without giving its union leadership at least advance notice.

For participation to become institutionalized it needs to make all parties feel more secure -- workers, the union, and management. Workers are unlikely to support it long if they see it merely as part of larger scheme to eliminate jobs. Unions are not likely to participate extensively if -- as fairly frequently occurs -- management talks cooperation in one plant, but seeks to operate nonunion in others. Finally, management is unlikely to support participation long if it sees the process as merely hamstringing its activities.

Lack of trust. For unions and management to make the fundamental changes necessary for effective participation, trust on both sides is required.

Lack of trust can quickly destroy a relationship. For example, as a consequence of the first (1981-83) round of concession bargaining in the airlines, a variety of participative schemes were introduced. These worked reasonably well. But in 1984-85, when the airlines came around for a second round of concessions, the situation erupted into bitterness. The unions became convinced that their cooperative, participative efforts were being used, not to benefit both sides, but merely to increase management's profits.

> Eastern Airlines, for example, suffered from particularly bad labour relations and was in particularly poor economic position. Despite this, a new cooperative arrangement (union board membership, 25 per cent worker stock ownership, along with substantial, presumably temporary paycuts) seemed to work at first. "Labor's Big New Role Inside Eastern Airlines Seems to Succeeding..Influence of Union Members on Board and Elsewhere Follows Pay Concessions," said a Wall Street Journal article (October 31, 1984) which quoted union leader Charles Bryant as saying "It's not just tokenism. It's a change in the way Eastern is running the company". But two months later, when the company extended the wage cuts without the unions approval, Bryan changed his tune, charging that Frank Borman, Eastern's chairman, had "totally betrayed the confidence of employees...I could never trust [him] again" (Wall Street Journal, January 2,1985)[19].

19. A year later relations had gotten even worse. Now the unions were considering taking advantage of their members' 20-25 percent stock ownership to join with another financial partner to take over the company and oust present management. Significantly, the unions had not become disillusioned with worker participation in management. Instead the unions asked for "greater voice in running the company". Bryan urged members to increase their productivity and to buy "as much Eastern stock as possible to give us a real control in our destiny" (Wall Street Journal, January 9, 1986). In February 1986 Eastern management sold out to Texas Air, a company noted for being anti-union. To the very end Eastern's unions sought to use their stockownership clout to prevent the takeover.

Trust that the other side is not taking advantage of one is difficult to develop. The participative model is so different from management's normal behavior that it is easy for workers to suspect management of hypocracy. At NUMMI, the joint G.M.-Toyota plant (in Fremont, California), where union and management are trying to move to a more participative culture, one observer commented:

> "The workers have a pretty clear model of the wrong style of management -- that's the old GM style. They also have a clear model of right management, that's what they are now convinced is the Japanese style. The trouble is that they are forever waiting for management to make a mistake - to act in the old GM way - and so prove what they inwardly suspect - that the whole thing is a sham. There is not much forgiveness yet, or a realization that the other side, however sincere, consists of human beings who can make mistakes."

Threats to power. Just as direct participation represents a threat to stewards and foremen, so indirect participation represents a threat to middle and even upper levels of both management and union (Kochan, Katz, and Mower, 1984).

Often decisions which were previously made by managers, acting on their own, are now made by joint committees. Even if the line manager sits on the committee, his or her voice is just one among many. True, managers may be accustomed to their decisions regarding personnel matters being questioned via the grievance procedure, but joint committees permit union or worker representatives to "interfere" with a much broader range of issues. Often, for example, these committees discover inefficiencies which managers should have discovered on their own.

In many companies the QWL or Organization Development staff, which deals with participative relationships, is separate from the Labor Relations staff. Rivalries between the two groups are almost inevitable (Kochan, Katz, and Mower, 1984). Much the same problems exist on the union side. If workers resolve their problems through discussion groups there will be fewer grievances thus giving shop stewards less to do. Some agreements call for union-selected, but company-paid "facilitators". These may develop interests and approaches which are often quite different from those of the old-time, adversary-relationship-oriented stewards. As a dissident union magazine put it, commenting on the GM relationship:

> "Already, many of these facilitators think of themselves as representing the 'joint QWL process' rather than the union...The program has expanded chiefly because the company and the union have 'institutionalized' it by rapidly increasing the number of full-time QWL jobs and QWL perks... These are especially attractive now that job losses have caused a cutback in the number of union positions" (Parker, 1984).

At times the participative network represents an alternative route for advancement. Driscoll (1979) observes that sometimes members of Scanlon Plan participative committees may challenge incumbent union officers. But in other cases, committee members and union officers each tended to stay in their own "career paths", with the Scanlon path often leading to a job in management.

Differences between participative committees and union bodies are most likely to occur when, as we saw, the recommendations of the participative committees seem to impinge on the collective bargaining agreement. When this happens, it becomes almost necessary for the union bargaining committee to become involved in the participation process.

Participation also threatens top leadership on both sides. Under the adversarial system decisions tend to be centralized. "Common rules" are negotiated, designed to affect all workers equally. Every variation from these is suspected as setting an undesirable precedent that might spread generally. By contrast, participation tends to break down the common rule and the adversarial relationship and to substitute a new form of joint but decentralized decisions making which reduces central union and even management power, even if it increases the power of individual workers and work groups (Katz and Sable, 1985).

In short, participation makes the basis of power uncertain. Until new power relationship are firmly established and legitimated, all parties are to suffer from uncertainty.

Non-participants. Almost by definition, representative participation involves only a portion of the workforce, and usually only a small one. As Europeans have also discovered (Strauss, 1982), the attitudes of rank-and-file nonparticipants are somewhat different than those of participants (Kochan, Katz, and Mower, 1984, chap. 4). Communications between the two groups is often poor. Nonparticipants often misunderstand what is happening. Often they feel leadership has sold them out to management.

Economic pressures. Without economic pressures few recent participative efforts would have gotten started. Ironically, economic pressures may also destroy programs. For example, if economic conditions get worse and management asks for still further concessions (as it did at Eastern Air Lines), union trust in management and faith in participation will be badly strained. On the other hand, if the company returns to prosperity, the urgency which led to the new cooperative relationship will be dissipated. (And even if participation avoids these fates, it may suffer from and even succumb to plateauing).

Conclusion. There is a complex relationship between participative activities, mutual trust, economic success, and the overall union-management relationship (Katz, Kochan, and Weber, 1985).

1. Without generally good union-management relations, participative efforts are not likely to be successful; on the other hand, successful participation may improve labor relations[20].

2. Both successful labor relations and participation develop trust. On the other hand, the mere introduction of a participative system may engender unrealistic expectations. If these expectations are violated, trust suffers, union-management relations may become embittered, and participation atrophies.

3. Without some economic pressures, participative activities are unlikely to be introduced. If participation is associated with improved economic conditions, overall relations will improve; on the other hand excess economic pressure may endanger labor relations and so poison trust and participative effort.

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20. Some observers suggest that one of the main advantage of participative committees is that they improve the interpersonal relations among key representative of labor and management and so contribute to better labor relations generally. Wallace and Driscoll, 1981.

Worker Ownership

For some Marxists worker ownership of the means of production is a key to industrial democracy. Documented cases of worker ownership date back some 200 years (Shirom, 1972; Jones, 1979; Aldrich and Stern, 1983). Today there are a modest number of producers' cooperatives (PCs) which have lasted for thirty or more years. Others have been established recently, often for ideological or counterculture reasons.

Far more important, however, has been the recent rapid increase in another form of worker ownership, employee stock ownership plans, widely known as ESOPs[21]. In a majority of instances stock ownership has resulted from employers taking advantage of recently enacted tax laws designed to encourage widespread share ownership. In a smaller number of cases, stock ownership has been a quid pro quo arising from concession bargaining. A fraction of the firms with worker ownership are *buyouts*: workers (along with managers and community groups) have "bought out" their plant to prevent it from being closed altogether. But, in only a handful of cases do workers actually control the firms they own.

The section which follows discuss three forms of worker ownership: traditional ESOPs, buyouts (usually ESOPs) and PCs. Finally we consider the relationship between worker ownership and control.

Traditional ESOPs.

Nature of ESOPs. An ESOP is a trust established to receive stock from the employer (or cash to purchase stock from existing owners) for distribution to individual accounts of participating workers. The allocation of stock in the typical ESOP is based on relative compensation, but other formulas are also used, including credit for seniority.

As workers accumulate seniority, they acquire gradually increasing rights to the stock in their accounts. (This is called vesting.) In general, however, workers receive financial benefits only after they retire or sever employment. In U.S. *publicly held* companies (that is stock listed on the stock exchange), employees must be able to vote their shares. THree-quarters of ESOP firms are *privately held*, however, and here workers' voting rights are often restricted.

Extent of ESOPS. Exact figures are difficult to come by, but there are estimates of some 5,000 to 7,000 ESOPs and some 2,000 cooperatives, worker buyouts and other forms of worker ownership (U.S. General Accounting Office, 1986; Rosen, Klein, and Young, 1985). According to a 1985 estimate, ESOPs and stock bonus plans covered 7 million workers (Employee Ownership, 1986, p. 12), up from .75 million in 1975, and they had total assets of nearly $19 billion or a

21. **Employee stock ownership existed in the United States long before the advent of the present version of ESOPs. In 1972, for example, Sears Roebuck employees owned 32 million shares of their company's stock, worth $3.5 billion.**

median of $5,226 per worker (U.S. General Accounting Office, 1986). A significant number of ESOP companies - 13 per cent according to one, perhaps outdated study (Marsh and McAllister, 1981) - are majority owned by their workers.

Why have ESOPs spread so rapidly? There are at least six reasons.

Tax provisions. A series of changes in the tax laws, beginning in 1974 and continuing through 1984, have provided strong financial incentives for firms to adopt ESOPs[22]. A firm's ESOP contributions, for example, are tax deductible (they are treated like an expense); banks and other institutions are allowed to deduct 50 per cent of the interest income they receive from a loan which a firm takes out to acquire stock for its ESOP; and owners of business may defer taxation on profits from selling their business to an ESOP, provided they invest these gains in stock within twelve months after receiving them. For the most part these benefits are continued in the 1986 tax revision.

As fringe benefits. ESOPs are frequently used as "fringe benefits" (that is, as additions to regular wages) and especially as substitutes for pension plans by companies that argue they can't afford the firm financial commitment that pensions require.

Motivation. ESOPs are often viewed as a means of motivating workers through giving them a sense of ownership and identity with the company. Being owners, it is hoped, they will be more committed and so work harder and more effectively. ESOPs have been given considerable credit for the highly publicized success of a number of firms noted for their productive workforce. A much debated question -- to be considered to below - is whether the success of companies such as this is due to stock ownership itself (*the financial effect*) or to active involvement in decision making (*the control effect*).

Ideology. In some instances, owners have had ideological, philosophical grounds for sharing ownership with their employees. Most of these owners also expect worker-owners to work harder and be more loyal, so the ideological and motivational explanations for ESOPs' spread overlap.

To retain control. ESOPs have been used increasingly to shield companies from hostile takeover offers or as a means by which effective control of a closely-held firm can be passed from one generation to another without requiring company stock to be sold to pay estate taxes.

Concession bargaining. As a part of concession bargaining in depressed plants, unionised workers have fairly frequently agreed to wage cuts in return for promises to share in future profits or in stock, the later typically in the form of ESOPs. Among the more dramatic cases involved Chrysler, which was required to contribute $165 million worth of company stock to an ESOP as a condition for a government $1.5 billion loan guarantee. As of 1984 Chrysler employees owned 16 per cent of its stock, with the typical holding being worth $4,500 (Daily Labor

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22. Two forms of ESOP, called TRAYSOPs and PAYSOPs, permit part of the cost of stockownership to be deducted directly from the tax itself.

Report, July 10, 1984, p.A-11)[23]. ESOPs are also common in the financially troubled airline industry, where employees received 13 per cent of Pan American, 25 per cent of Eastern Airlines, 33 per cent of Western, and substantial portions of the stock of smaller airlines. Similar stock-for-wages trades have also been common in smaller trucking and steel firms (Rosen, Klein, and Young, 1985).

Potential problems. ESOPs have been subject to a great deal of criticism.

In the first place, it is argued that ESOPS are inadequate substitutes for pension plans. The payoff to the worker is distant in time and uncertain, being dependent on the price of the stock. This places workers' retirement security at considerable risk since there are no guarantees that company stock will have any future value. Further it requires workers to put "all their eggs in one basket". If the company fails, the employees lose both their jobs and their retirement income.

Secondly, numerous abuses have been reported, especially the use of employee-owned stock to support management in takeover and proxy fights, under circumstances when independent stockholders might have preferred to sell their shares or vote for a new management.

Finally, as mentioned above, workers often have very limited say in how their stock is voted. In only a small minority of cases do they sit on the company board (or on the ESOP's board of trustees). Even in these cases the worker-directors are usually handpicked by management and are not expected to play an active role (Hammer and Stern, 1983). The Rath Packing Company involved an exception to this rule, as will be discussed later on.

Union attitudes. Unionists have traditionally been antagonistic to worker stock ownership and to the principle of worker ownership generally[24]. They argued that stock ownership gave workers the illusion of ownership without any real control and that it was chiefly a management technique to make unions unnecessary or to cut wages. They have been particularly opposed to company plans to replace pension plans with ESOPs.

Faced with the prospect of substantial job losses, however, many unions changed their position (Rothschild-Whitt, 1985). Wages cuts combined with stock ownership are better than cuts with nothing at all. Today, when companies plead poverty, unions increasingly respond, "If you can't give us money, give us stock."

Stock ownership, some unions now argue, is a legitimate union objective, provided it is on top of decent wages and fringe benefits. In practice, stock ownership has had little impact on labor relations in the companies involved, nor does owning stock make union members significantly less loyal to their unions (Sockell, 1985).

Research findings as to ESOPs' impacts. Studies of the impacts of ESOP plans have proliferated almost as fast as the plans themselves. According to various studies ESOP firms have been more profitable than comparable non-ESOP firms (Conte and Tannenbaum, 1978; but see Employee Ownership, 1983), more productive (Marsh and McAllister, 1981), increased employment faster (Rosen and

23. According to one calculation, the workers gained more from the increase in value of their stock than they gave up in wage concessions (Rothschild-Whitt, 1985).

24. Indeed the law permits the employer to exclude unionised workers from participation in ESOPs altogether.

Klein, 1981; Employee Ownership, 1983), and enjoyed higher sales growth, net operating margin, book value per share, and return to equity (Wagner, 1985). Other studies as to company performance are less encouraging (for reviews see Tannenbaum 1983; Kruse 1984). Tannenbaum, Cook, and Lohmann (1984), for example, found no significant difference between ESOP and conventional companies in profits, productivity and technological adaptiveness

Research to date has still not determined whether ESOP firms become more prosperous as a result of employee ownership or whether prosperous firms are more likely to establish ESOPs to begin with. A longitudinal study of productivity and profitability of ESOP companies, designed to disentangle cause from effect, is now being conducted by the U.S. General Accounting Office, but the results are still unavailable. A small recent study which compared the performance of ESOP companies before and after they adopted ESOPs, found that these companies grew more rapidly after adopting ESOPs -- and did so also by comparison with a matched sample of non-ESOP companies (Employee Ownership, 1986, p. 1). It is still not clear, however, how much of the improved performance was due to ESOPs and how much to other managerial changes at the time.

The numerous studies of attitudinal and behavioral change under worker ownership report mixed results. Some conclude that such factors as motivation, job satisfaction, perceived worker influence and organizational commitment have improved; others find no significant differences (for summaries, see Tannenbaum, 1983 and Kruse, 1984). According to Rosen, Klein, and Young, (1985) the most recent and extensive of these studies (covering workers in 37 diverse ESOP firms) satisfaction and commitment is significantly influenced by (a) the size of the company's contribution to ESOP (the amount of stock the participants receive) and (b) management's philosophical commitment to worker ownership. Whether the ESOP owned a large percentage of company stock, whether the stock carried voting rights, and the reasons why ESOPs were established in the first place did not affect worker attitudes. The researchers concluded, somewhat paradoxically, that when employee stock ownership is viewed as a fringe benefit (as opposed to a means of saving jobs or mechanism for living out a cooperative philosophy) the financial benefits matter a great deal. This conclusion is consistent with those of economists who view profit-sharing as a form of "gift".

Buyouts

A new trend has been for workers to "buy out" their plants, rather than see them shut down altogether. One report documents 65 buyouts between 1971 and 1975 (Rosen, Klein, and Young, 1985) while another credits buyouts with saving 50,000 jobs in 60 plants (Daily Labor Report, July 18, 1983, p.A-2). The largest of these buyouts involved the 8,000-employee Weirton Plant of National Steel and the 3,000- employee Rath Packing Company (the later unsuccessful).

A number of buyouts during the mid-1970's (such as at Vermont Asbestos and Mohawk Valley Community Corporation) occurred when conglomerates sought to shake off relatively unprofitable plants or plants in the wrong line of business. The more recent wave of buyouts involved more seriously troubled firms, in which immediate infusions of capital were necessary to avoid complete closure. In these cases jobs were saved by a combination of worker equity contributions, bank loans, government loans and grants, benefit and wage cuts (as much as 30% at GM's former Hyatt-Clark plant and 20% at Weirton Steel), and reductions in manning schedules.

The appeal of such rescues is obvious. Companies find buyers for their worst operations rather than incur the costs and public blame for closing them. Workers save their jobs, and unions get credit for helping them.

But changes in ownership often meant no (or very little) change in control, even though individual workers received voting shares of stock in some cases, and were occasionally elected to boards of directors. In fact, "buyout" arrangements were often put together under chaotic financial conditions and with such haste that little thought was to internal governance. Workers' prime motivation was to save their jobs and radical new ideas might have scared off financial support. Indeed, bank loans and other financial assistance were often contingent on the presence of stable hierarchical management structures (Whyte, et al, 1983). Unions could offer little guidance in this strange new situation.

Experience with buyouts. Worker "buyouts" appear very successful at first: profits improve, productivity climbs, turnover declines and a number of apparently hopeless plants have been restored to seeming prosperity (for summary articles see Zwerdling, 1980; Long 1980; Strauss, 1982). At least three factors may be at work: (1) wages and manpower have been cut, thus increasing profits, (2) the newly plants are freed from the requirement to contribute toward corporate overhead, and finally, (3) once the often formidable barriers to workers' ownership have been overcome, workers feel a sense of triumph; in turn this leads to an immediate burst of enthusiasm and cooperation as the parties enjoy the hope that, by pulling together, their previously threatened jobs can now be saved.

In many cases, after a year or so of worker ownership, disillusionment sets in. Workers move "from euphoria to alienation" (Whyte, et al., 1983). Once fear of job loss subsides, worker ownership, by itself, seems to have little impact on either productivity or satisfaction. For the average worker, the job and the boss are unchanged. As one observer puts it, "People are happy their jobs were saved and the company is doing well...On the other hand, insiders say, many workers do have a vague if unarticulated demand for greater involvement in participation - and they feel frustrated that they've been denied it" (Zwerdling, 1979, p. 78).

On the other hand, Weirton Steel appears reasonably successful, at least financially. Its formal organization is quite traditional, but there is considerable shop-level QC-EI type participation as well as a good deal of informal union-management collaboration. The company has paid its employees fairly good profits, though not enough to make up for their wage cuts. To our knowledge no data as to productivity or attitudes are publicly available.

Combining ownership and control. By now many authorities believe that for worker ownership to have a lasting impact on production or satisfaction it must be combined with some form of participation or worker control (eg., Whyte, et al, 1983). Doing this is not easy.

> The case of the Rath Packing Company demonstrates the difficulty of translating ownership into control, despite some preliminary planning and union-management negotiations over the terms of worker participation.

Rath was an old, loss-plagued, 3,000-employee meatpacking company in an industry undergoing substantial technological and market change. It transferred to workers' ownership in 1979 when its union agreed to accept substantial wage and benefit cuts in return for 60 per cent of the stock. To serve on the board of directors the union selected three rank-and-file workers and seven nationally respected experts (but no top union officials at first). With the assistance of university-based consultants, an elaborate structure of shop floor productivity teams and plant labor-management committees was established.

As a consequence of these efforts, there were reports of substantial productivity increases and lower absenteeism rates. Nevertheless, with the meat industry being generally depressed, unions at competing firms also took wage cuts and Rath remained a high cost producer. Faced with a large group of pensioners, unfunded pension costs, costly medical care for an elderly workforce, and high interest payments on mounting debts, it continued to lose money.

As Rath workers accepted several additional rounds of pay and fringe benefit cuts, the union extended its involvement in management step by step. Union pressures forced the retirement of the company's president in 1981. His successor attempted to increase worker input. Following complaints that workers' views were insufficiently represented on the board of directors, Lyle Taylor, the local union president, accepted, first, board membership and, then, as economic conditions worsened, company presidency himself.

Conditions continued to deteriorate. Confronted by a cutback in bank credit, the company filed for bankruptcy in November 1983. This permitted it to break the union contract and reduce wages further. Work stoppages and walk-outs ensued, shop floor participation ceased completely, and attempts to sell the company to private investors failed. The union called for a strike vote to force the company to reinstate the contract, but failed to obtain the required 2/3 vote. The union leaders then persuaded the ESOP trustees to replace Taylor and three other directors. Though Taylor was voted off the board, he was permitted to remain as president and was elected by existing directors to a new seat especially created for him.

The end came soon. In September 1984, workers-as-union members refused to agree to the additional wage concessions required by a potential purchaser. In January 1985 the plant closed down for good.

The attempt to merge ownership and control at Rath took place under extremely difficult economic conditions. Its apparent failure does not discredit the principles by which it was organized. However, Rath's participatory program suffered numerous weaknesses. In the first place, though union and management leaders had agreed to the formal mechanisms for worker participation, no agreement had been reached as to the extent to which workers would influence decisions in fact. There was disagreement, in particular, over the union's role should be in management. Further, the union-selected directors were expected to act independently; thus they often disagreed with the union. Finally, the union leadership did little to educate the rank-and-file representatives about the board's intended role in a worker-owned plant.

Thus worker-owners became disillusioned with the directors who were supposed to represent them (Hammer, 1985). Once it became evident that worker ownership did not mean worker control, the leaders realized their mistakes in not selecting only loyal union members to the board, and in not training them to be active interest-group representatives -- but then it was too late (Redmond, Mueller, and Daniels, 1983).

Similar (though less severe) problems surfaced at worker-owned Hyatt-Clark, where workers went on a lengthy slowdown, perhaps out of frustration because their substantial increase in productivity had not led to immediate cash payoffs. As of this writing, Hyatt-Clark's survival is in doubt.

What these experiences show is that participative structure alone is not enough. The transition to democracy is extremely difficult. Labor-management distrust, based on years of conflict, incomplete negotiations over power sharing, and economic adversity can easily decouple worker ownership and control. And the role conflict that can ensure between workers-as-stock owners and workers-as-union members both exacerbate the conflict over power and is exacerbated by it.

Producer Cooperatives

The ideal of workplace democracy is most completely met in producer cooperatives (PCs)(Gunn, 1984; Jackall and Levin, 1984). PCs are firms which are both worker owned and worker managed, with a high degree of equality in the distribution of both ownership and control25. The U.S. has had a long history of such cooperatives (Jones, 1979; Aldrich and Stern, 1983) and a number are in existence today.

First, there are a series of fairly long surviving PCs, some 10 to 50 years old. The best known and most frequently studied are the plywood cooperatives in the Pacific Northwest. Of the thirty which were started in the 1930's and 40's, some have closed, some have been bought by private capital, but twelve remain in business (Bellas, 1972; Greenberg, 1984)). Other old and well-established cooperatives are scavenger (dustmen) firms in the San Francisco Bay area (Perry, 1978), taxi companies (Russell, 1985), and an insurance firm, IGP.

Initially, in most of these PCs, both stock ownership and voting rights were spread relatively equally among the workers, with the principle that each worker would be a stockholder and every stockholder a worker. Substantial degrees of participation were obtained in most of these companies, and they have been generally successful financially.

A major problem is that, if the organization is successful, the founding generation of employee-owners becomes reluctant to sell its ownership to a new generation except at a higher price than these young employees are capable of paying. As a result, either the entire firm is bought out by conventional companies (as has occurred plywood) or an increasing number of non-owner workers are

25. Though not typically viewed as PCs, many professional partnerships in the fields of law, accounting, and medicine take the form of PCs. Like many other PCs in practice, these partnerships exclude "second class citizens" such as clerical personnel.

hired, restricting ownership to a favored few (as is occurring among scavenger PCs).

A new model PC has been designed, based on the experience of the Mondragon PCs in Spain. Under this new model there is no stock to be bought or sold. Instead, retained individual profits are credited to an employee's account and may be withdrawn only when the employee leaves. Thus voting rights and investment in the organization are largely decoupled. In accordance with this model, and with union sponsorship, several closed-down Philadelphia supermarkets have been reopened, with a group of former employees now serving as owners (Young and Wolper, 1985; Hochner and Granrose, 1985). A variety of similar PCs have been established elsewhere, many with support from consultant organizations.

Finally, there are counterculture PCs. Often calling themselves "collectives", they "represent one of the enduring legacies of the anti-authoritarian movements of the 1960's" (Rothschild-Whitt, 1979; Lidenfeld and Rothschild-Whitt,1982; Jackall, 1984). They have been formed by people wanting to escape bureaucratic hierarchies, formalization, and labor specialization. Their members typically subscribe to a philosophical belief in a collectivist society. These firms are concentrated in fields that require low capitalization. Many are craft shops, free schools, medical clinics, food stores, legal collectives, or alternative newspapers.

Though such PCs provide a fascinating alternative to traditional, authoritarian organizations, their life-span tends to be short. Often they flounder on the shoals of insufficient capitalization, community opposition, excessively informal decision-making, inability to adjust to organizational growth, and personality conflicts among people strongly oriented toward "doing their own thing". Greater success has been obtained by countercultural communes in which property is shared, members are largely isolated from outside influences, and there is a strong common ideology (with deviations from approved norms receiving sharp social disapproval) (Berger, 1981). Some such "strong value" organizations focus around a single charismatic leader and are are quite undemocratic (e.g., the Moonies).

The impact of worker control

Finally we come to some critical questions. Apart from the desirability of worker participation per se, can share ownership, by itself, stimulate worker involvement, commitment and motivation and increase organizational effectiveness? Or must it be accompanied by worker control? There are two schools of thought here: the *direct financial effects* model and *the control effects* models.

The financial effects model predicts that when workers become stockholders they will seek to increase the worth of their stock though working harder and smarter. Once this happens they will work still harder in a self-reinforcing spiral (Burck, 1976). In short, worker capitalists will direct their individual and collective behavior toward the capitalists' goal of profit maximization rather than the wage laborers' goal of higher wages and fringes. Under these circumstances, worker participation and control become irrelevant (Copeman, 1975; Bradley and Geld, 1983)

According to the control effects model, the positive effects of worker ownership can be obtained only through worker participation and self-government. Indeed, as participation becomes more intensive and covers more issues and more levels of organizational hierarchy, it is likely to become more effective.

Conceivably both models might operate. The impacts of ownership and control might reinforce each other and so greatly increase the positive benefits of participation. Unfortunately, a simultaneous test of the two models in hard to come by in the U.S. because control has rarely followed from ownership, except in PCs.

Several studies have compared commitment and productivity of worker-owned plywood firms and supermarkets with their more traditional counterparts in the same industry (Bellas, 1972; Greenberg, 1984; Granrose, Applebaum, and Singh, 1985). Another study compared worker commitment in the worker-owned and privately owned scavenger firms (Russell, Hochner, and Perry, 1979). This limited research suggests that, combined together, worker ownership and control have positive impacts on both commitment and productivity (for a summary of similar findings from other countries, see Strauss, 1982).

In traditional ESOPs ownership is rarely accompanied by significant control. Except for concession bargaining cases, workers have received their stock as almost as a gift (or a fringe benefit) with little perceived sacrifice on their part. Further, there is little expectation of control. Under these circumstances, we conclude that ownership can lead to some limited increase in satisfaction, commitment, and possibly productivity.

The situation is different in ideologically motivated (including countercultural) firms and in buyouts. Here there is considerable expectation that ownership will be associated with some control. Further, in most cases, workers have made considerable sacrifices to obtain their ownership. Under these circumstances, as the Rath and other examples illustrate, expectations and legal rights of control clash with reality and considerable tensions occur (for a summary of buyout studies, see Whyte et al. 1983; for additional data, see Midwest Center for Labor Research, 1985). Instead of sustained positive effects of worker capitalism, there are initial rounds of improved worker performance and organizational effectiveness which decay as initial expectations of participation go unmet. The tensions show up in worsened morale and labor relations and may lead to management manipulating stock rights so as to reduce worker rights.

On top of this, of course, many buyout situations involve technologically backward plants in troubled industries plagued by overcapacity. Even if worker ownership leads to increased long-term productivity in such situations, the company isn't able generate the cash flow needed to meet crushing costs of modernizing their facilities (Sease, 1985).

CONCLUSION

The last few years have seen the considerable increase in participative activities at both shop (through Quality Circles and the like) and company levels. During the depth of the recession these relationships had considerable payoff for both labor and management. They helped save jobs: they cut costs and increased productivity; and they gave union leaders a significant role at a time when their normal role, fighting for higher wages, etc., had little payoff.

But how long will these new relationships last, especially in unionized plants? Will they survive through both prosperity and renewed recessions? Historians point out that labor relations become more cooperative every time labor's main weapons are weakened but then revert to the adversarial once conditions improve. Will this occur again?

There is a growing constituency for shop level QWL-type participation. Better educated workers want more variety and discretion in their work, and management has learned (in principle, at least) that catering to these interests pays off in many ways (among others, though weakening unions). Unions are losing their suspicion of QWL, so long as suitable safeguards are incorporated. The "common rule" of "treat everybody alike" has lost some of its appeal.

So shop-floor participation should continue, especially in non-union plants, but even in those which are unionised. As former UAW President Fraser put it: "This is a movement that it is irreversible, because fundamentally what it does is democratize the workplace ...The union won't want to change it because there is something insidious about democracy. Once people experience and practice it, they won't give it up" (Bokovoy and Cheadle, 1985).

At higher levels the continuance of cooperation is more uncertain. Though there is still considerable skepticism toward the new cooperative relationships on both sides of the bargaining table, in a growing number of cases the parties are making a conscientious, good faith effort to work together. Despite these promising signs, representative participation will have a difficult time surviving in those companies in which overall labor relations are hostile. By contrast with many other countries, in the U.S. there is no ideological demand for industrial democracy. Unions accepted worker stock ownership and company board membership somewhat reluctantly and only because these were the best quid pro quos impoverished management could offer[26]. Management agreed to these, in many cases, only because it viewed participation as way to bend work rules.

ESOPs have a number of advantages to both labor and management, especially with favorable tax laws. Worker stock-ownership, in of itself, however, is unlikely to greatly increase productivity or to improve labor relations. Only in rare cases will worker ownership lead to worker control.

Three aspects of participation may survive. In the first place, increased formal union power, once attained, is unlikely to be given up. For instance, once unions obtain access to a stream of company financial information, it may be hard to turn off the spigot. Secondly, as a result of recent experimentation social scientists have learned considerably more about the possibilities and limits of nonadversarial labor

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26. As a union advisor put it, U.S. participation "isn't a social revolution; it's a deal" (Koenig, 1984).

relationships. Finally, a new generation of third-party consultants has been trained, who are skilled in working with the politics of union-management cooperation.

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