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Public Sector Reports

Michigan **COMMENTARY**

The Cooperation Conundrum: Participatory Management, Insecurity, and Power

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The idea that employees should participate in managing their own work and even have a say in larger business decisions has definitely hit the mainstream. Business publications feature articles with titles like "Who Needs a Boss?" and "The Wizardry of Empowerment," and management consultants are making their names and their fortunes touting self-managed teams, worker empowerment, employee involvement, and other variations on the theme of participation.

Employee participation also has received the hearty approval of President Clinton and Labor Secretary Robert Reich, who extolled its virtues at a conference on the future of the American workplace, sponsored by the departments of Labor and Commerce this past July. The Clinton administration is promoting the idea that better labor-management cooperation can make U.S. businesses more competitive in world markets and, hence, help create more jobs at home.

Most economists would question the simple connections that Clinton, Reich, and many others seem to make among increasing the productivity of U.S. firms, competing more successfully in foreign markets, and creating more jobs in the United States. To be sure, individual firms can sell more abroad as well as at home if they lower their prices by increasing productivity, and selling more makes it possible to hire more workers. Individual firm performance, however, plays only a small role in determining national performance in export markets.

The United States as a whole can increase exports relative to imports only if it shakes the habit of financing consumption with funds borrowed from abroad: Countries that are net borrowers tend to be net importers because they are consuming greater value than they are producing. Nevertheless, productivity is important. Although productivity in particular industries does not determine the overall balance of trade, it does determine *what* we can export successfully. Productivity also is a basic determinant of wage levels—higher productivity supports higher wages.

There is nothing new about the proposal that it's good for people to have more say in how they work; what's new is the enthusiasm for this idea that has blossomed in recent years among business elites. Participatory management is one among many business responses—albeit a prominent one—to the perceived need to survive in an increasingly competitive global economy by boosting productivity, responding more rapidly to shifting market conditions, and increasing the pace of innovation in product creation and market discovery.

Realizing the promised benefits of employee participation, however, will not be easy. Ample anecdotal evidence indicates that employee participation *can* improve business performance while making workers and managers happier, but no simple formula for success exists, and there are many ways to fail. In addition, it is all too easy and too common for businesses to use the appearance of participation to strengthen top-down control of their employees, negating the potential contribution of participation to firm productivity and employee well-being.

Proponents of increased participation will surely go astray if they address only circumstances *within* businesses or workplaces, because these circumstances are shaped in important ways by the larger economic and political environment—in particular, conditions in the labor market and the legal framework of employer-employee relations. Current labor market trends create an environment of insecurity that is hostile to effective employee participation in individual businesses, and the direction of public policy toward labor organizations will have a profound effect on the kind and degree of participation possible in U.S. workplaces. It is hard to talk seriously about the nuts and bolts of employee participation without straying into this wider context and broaching some highly political questions.

VISION AND REALITY

There are reasons other than the effect on the bottom line or the gross domestic product (GDP) to break down traditional hierarchies in the workplace. The way we work not only affects the efficiency with which we produce goods and services, it also affects our physical and mental health, our intellectual and emotional lives, and our political values and ideas. Nevertheless, discussions about employee participation are likely to skirt these questions and focus on more narrowly defined issues, such as how such participation is likely to affect employee performance and firm productivity.

Does employee participation help businesses become more efficient and effective? It certainly sounds as though it should. Decentralizing decision making promises to allow firms to act more quickly on all fronts. Giving employees more freedom and responsibility promises to boost morale and stimulate creativity.

The business press—periodicals such as *Fortune*, *Business Week*, and *The Wall Street Journal*—is a rich source of examples of both successes and failures to measurably improve business performance through participatory management. Reviews of research on the effects of employee participation indicate that it tends to improve morale, increase job satisfaction, and spur employees to apply their skills more vigorously. Such relationships have been found in the United States and several other countries, but research fails to find a clear direct link between participation and measures of overall firm performance.

Given the many factors that determine overall business performance, it isn't too surprising that finding a dramatic, direct connection between overall performance and participatory initiatives is often difficult. There also are, of course, many different ways of putting the general principle of employee participation into practice, not all of them equally effective in all settings, some of them misguided, and some of them downright wrongheaded.

Many observers, for example, have noted that while sharing power with employees is the essence of employee participation, many managers who find the principle attractive nevertheless have trouble ceding real decision-making responsibility. This difficulty can be a particularly acute problem in small firms, where workers and owners must deal with each other directly—without the intercession of trained personnel managers or labor negotiators—and personal styles, suspicions, and grievances can make or break experiments in cooperation.

In firms of any size it can be a mistake for top managers to institute some kinds of participatory measures—such as self-managed teams—too unilaterally. *Imposing* participatory structures violates the very ideal management supposedly wishes to promote, and it has been observed that teams formed without top management intervention are often the most effective.

Unilaterally imposing participatory structures can easily foster employee suspicion that they are merely ways to get more work for the same pay, to subtly increase management control, or to weaken labor organizations. Unfortunately, there are cases

Case Study: Sham Participation

Guillermo Grenier's *Inhuman Relations: Quality Circles and Anti-Unionism in American Industry* describes what he saw as the use of sham employee participation to tighten management control of workers and defeat unionization efforts at Ethicon, a subsidiary of Johnson and Johnson in Albuquerque, New Mexico. Management established small teams of workers to discuss production problems and other issues, but allowed only select employees to become team members.

Supervisors took note of team members who were not happy with the system or brought too many grievances to weekly team meetings, and—according to Grenier—kept these workers from receiving the more desirable work assignments. Team members had a voice in some important decisions—such as each others' raises and bonuses—but were excluded from others, such as the decision to have workers move between day and night shifts every two weeks, a schedule particularly difficult for single parents.

When some dissatisfied workers invited the Amalgamated Clothing and Textile Workers Union to organize Ethicon employees, managers used the team leaders to help them identify union sympathizers, who were pressured to change their views. Such tactics helped Ethicon management to defeat the union organizing drive, asserts Grenier.

that justify such suspicion, like that of the Johnson and Johnson subsidiary described in Guillermo Grenier's *Inhuman Relations: Quality Circles and Anti-Unionism in American Industry*. At least one manager in the plant Grenier studied openly acknowledged that the firm's alleged experiment in workplace democracy was in fact an effort to use worker peer pressure to promote policies designed by management alone.

In a similar vein, former management consultant Martin Jay Levitt, in his recent book *Confessions of a Union Buster*, describes his method for defeating union organization drives: "[The] objective was not to empower the employee, as I pretended, but to shut him up. . . . The golden rule of management control, as I taught it, was [to] incorporate dissent. . . ."

To help realize the potential of employee participation, then, it is important that employees participate fully in developing and implementing new management structures and that clear benefits accrue directly to employees. It also is vital that management not attempt to use participatory structures cynically to control or divide employees and that employees are sure their own ingenuity won't be used against them. That is, employees must be sure that by pitching in to increase efficiency they won't be helping to eliminate their own jobs. Employees also need to be free from the fear that candid discussion may anger managers and cost them raises, promotions, or their jobs. These last conditions remind one of W. Edwards Deming's dictum that to improve quality in production one must drive fear out of the workplace.

PARTICIPATION, FEAR, AND THE BIG PICTURE

The importance to successful participation of driving out fear draws attention to the influence of the larger economic and political context on conditions in the workplace. Unfortunately, some of the same economic circumstances leading businesses to experiment with improving performance through employee participation also make it hard to realize the workplace conditions that best nourish fruitful participation.

Intensifying global competition tends to sow fear and insecurity in the domestic labor market. Professional and white-collar jobs as well as unskilled jobs are now being exported to lower-wage countries. For example, Metropolitan Life employs workers in Ireland to examine medical claims, and many multinational firms prefer Indian computer programmers to their North American counterparts.

To increase flexibility, firms are using more and more part-time and temporary workers. A study from the Economic Policy Institute reports that "an unprecedented number of the new jobs created in the recovery have been either temporary or part-time," and that between January and July of 1993 over 60 percent of the new jobs created were part-time. In addition, the ever-increasing mobility of capital weakens business ties to particular communities and countries. All of these factors make everyone's job less secure and foment fear even in workplaces not yet directly affected. In a recent *Time–CNN* poll, 66 percent of those questioned said they think job security is a greater problem today than two years ago, and 53 percent expect such insecurity to persist.

Current enthusiasm for employee participation is at odds with labor market trends that undermine the workplace conditions most favorable for effective participation. In a recent article in *Fortune*, the author looks straight into the face of this contradiction without recognizing it. After a coming massive restructuring of American business, says *Fortune*,

> Business will benefit from an abler, more flexible, and vastly more responsible work force. Job holders will get more respect and their work may become more engaging, as employers seek employees' ideas. . . . Anyone who wants to be around for the fun part needs to start adapting now. Those who can't, sadly, will number in the millions. (January 25, 1993, pp. 50–56)

One must wonder how secure job holders can feel and how much fun they can have knowing that millions are waiting eagerly to take their places should they stumble and fall. Driving out fear under these circumstances won't be easy, which will make it hard to carve out the little utopias of open labor-management cooperation *Fortune* envisions.

A WAY OUT OF THE CIRCLE?

These factors pose a conundrum. If employee participation does contribute to business performance, it can make businesses more competitive, help maintain or increase wage levels, and help create more jobs in particular industries. If, however, jobs are scarce and insecure, this condition will inhibit fruitful participation and limit its contribution to business performance and job creation.

Clinton and Reich may well be overselling employee participation as a way to stimulate economic growth, especially under current labor market conditions. There are, of course, reasons to promote employee participation apart from its potential contribution to profits and economic growth. Dutch businesses, for example, place greater emphasis on participation than U.S. businesses, but research indicates that they regard workplace democracy as a social goal important in itself, and not merely an economic strategy.

Whatever one's reasons for promoting participation, however, conditions outside the workplace can either dispel or foster fear and insecurity within the workplace—fear and insecurity that can cripple participatory initiatives. What can public policy do to encourage a climate of greater employee security?

Anything that decreases employee dependence on employers (e.g., comprehensive national health insurance not linked to employment) would help drive fear out of the workplace. Ray Walsh, Secretary of Labor under President Carter, argues that the "history of employee involvement plans and quality of life programs demonstrates that you cannot make them work unless workers have an independent source of power." Walsh means that such programs work better where there are unions. In a recent article in *The American Prospect*, Richard Rothstein cites Walsh and numbers of studies of the effects of unionization on productivity in support of his argument that

> Employee involvement programs . . . increase productivity, but evidence suggests that productivity gains require unionization as well: Workers won't make suggestions that challenge established ways of doing things unless union contracts protect them from retaliation by middle managers whose boats they have rocked. (Summer 1993, pp. 32–47)

Although hardly conclusive, it is certainly interesting that many of the presentations on successful participatory efforts at the Clinton administration's conference promoting labor-management cooperation involved unionized companies.

Case Study: Management-Union Collaboration

When the Xerox Corporation, battered by foreign competition, began closing plants in the early 1980s, its unionized employees offered to work with management to improve quality and efficiency, according to *Fortune* (February 8, 1993, pp. 128–33). For example, the union agreed to let Xerox use temporary workers for some jobs, as long as the temporary workers did not exceed 10 percent of the company's work force. The temporaries were not employed longer than six months, and union employees were given job security for the duration of the union's contract.

When Xerox considered closing one of its parts manufacturing units and importing the parts from Mexico, the union formed a team that succeeded in finding a way to lower the cost of production. The unit, with its 240 jobs, remained open. According to *Fortune,* such cooperation between Xerox and unionized workers has helped the company win back lost market share and increase employment.

UNIONS AND PUBLIC POLICY

If unions are the best means of providing the independent source of power necessary to productive employee participation, the prospects for sustained growth in participation in the United States are uncertain. The proportion of U.S. workers in unions peaked in the 1950s at nearly 40 percent, but it has been declining since then. Today, only about 16 percent of all U.S. employees—and only 12 percent of private sector employees—are covered by collective bargaining agreements, a smaller percentage than in any other industrialized country except France.

Many explanations for this decline have been advanced, ranging from a growing climate of employer opposition to the structural shift from a manufacturing to a service economy and its devastating effect on traditionally strong industrial unions—too lengthy a topic to cover here. It is worth noting, however, that it would be a mistake to assume that de-unionization in the United States has in some way been a necessary or reasonable response to heightened global competition.

There is no simple relationship between unionization and aggregate national economic performance. In West Germany and Canada, for example, increasing rates of unionization from 1970 to 1988 were accompanied by higher rates of growth in GDP than experienced in the United States, where union membership was declining sharply. In Japan, growth during those years outpaced growth in the United States, while union membership declined at about half the U.S. rate.

The focus here, however, is with the more limited question of the conditions for fruitful employee participation and what role unions might play in creating those conditions. Although the Clinton administration is promoting employee participation, its position on the role of unions is murky. "The jury is still out," says Labor Secretary Robert Reich, "on whether the traditional union is necessary for the new workplace." The administration's position matters because, whatever other forces influence the rate of unionization among U.S. workers, labor law plays a vital role as well, and the administration can help shape labor law to either encourage or discourage union organizing.

In March of this year Robert Reich and his counterpart at the Department of Commerce, Ron Brown, announced the formation of a commission on the future of worker-management relations, which is charged with reviewing labor laws as a step toward increasing the productivity of U.S. business. No one is completely satisfied with the commission's composition. Business groups are concerned that business is underrepresented, others point out that the commission includes few representatives of organized labor, and still others suggest that lack of business representation is less the result of pro-labor bias than an indication that the administration is not taking the exercise very seriously.

Nevertheless, the commission—due to issue its recommendations in 1994—has the opportunity to influence the climate for union organizing and participatory management. One issue that may arise is the legality of certain types of labor-management cooperation programs. In 1992, the National Labor Relations Board ruled that worker-management committees at Electromation—a small electrics firm in Elkhart, Indiana—were de facto company unions because they were controlled largely by management and existed at management's pleasure. Such company unions are illegal under the 1935 Wagner Act.

Some members of the commission advocate modifying the Wagner Act's ban on such labor-management structures in the name of encouraging greater employee participation. Legislation that would do so is now before Congress. This legislation sounds innocuous enough, but critics argue that company or enterprise unions tend to discourage the development of more encompassing unions that create solidarity among workers in different plants, businesses, and industries and, hence, create a stronger independent source of employee power. It seems apparent that such broader, more encompassing labor organizations certainly would do more to strengthen the hand of employees in particular workplaces and the voice of working people in making national economic and social policy. Proponents of broader labor organizations argue for labor law changes that will make union organizing and certification easier and make it harder to break unions (e.g., by hiring permanent replacements for strikers).

PARTICIPATION AND POLITICS

It is clear enough that participation that really engages employees' energy and creativity can't flourish if employees are powerless. Even given the best intentions, coercion and manipulation inevitably taint cooperation if power relations are too unbalanced. Coercion also lurks in the background if employees exercise decision-making authority only at the pleasure of their employer. To participate or cooperate in the full sense, employees must have a firm place to stand, rather than balancing precariously on the good will of their employers.

It also is clear, however, that participation means different things to different people, as does empowerment. The issue of company or enterprise unions, for example, raises the question of the degree and quality of employee participation and empowerment possible within a *single* business and, hence, of the possible importance of larger independent labor organizations to the healthy growth of more participatory management.

Firms with different legacies of labor-management relations and inhabiting different sectors of the labor and product markets will have different experiences with employee participation. Nevertheless, all will be limited to some extent by the larger economic and political context. Consequently, their efforts will be influenced not only by aspects of the labor market that resist manipulation by public policy, but also by the disposition of issues well within the reach of public policy, such as health care, child welfare, education and—most immediately—the legal framework of employer-employee relations.

How will decisions on these public policy issues—particularly the latter—be made? Disinterested analysis of their relevance to the type and quality of employee participation possible in U.S. businesses and its implications for the nation's economy will play a role but will not monopolize the stage. Rather, economic arguments will be colored by conflicting answers to basic questions about the appropriate roles of management and labor in our society as a whole as well as in individual workplaces. What should employers and employees have the right to expect from each other? Where do the interests of American businesses and American workers truly converge and where do they conflict? What part of the tension between labor and business is an anomalous legacy of a past era, and what part is rooted in the fundamental structure of our political economy?

The debate would be healthier and more productive—and certainly more lively—if such questions were brought into the open. Face to face with such questions, employers and employees would be more likely to articulate candidly what they hope to gain through increased participation and more likely to confront the larger political and economic circumstances that constrain change and innovation in the workplace.