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The Nature and Extent of Employee Involvement in the American Workplace

Comments

Survey Report Submitted to the Commission on the Future of Worker-Management Relations

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THE NATURE AND EXTENT OF EMPLOYEE INVOLVEMENT IN THE AMERICAN WORKPLACE

Survey Conducted by:

Aerospace Industries Association

Electronic Industries Association

Labor Policy Association

National Association of Manufacturers

and

Organization Resources Counselors, Inc.

August 10, 1994

EXECUTIVE SUMMARY

During the past ten years, employee involvement has emerged as the most dramatic development in human resources. As a larger and larger percentage of American businesses embrace employee involvement, concerns have arisen regarding its relationship to traditional workplace representational bodies. Recent decisions by the National Labor Relations Board have questioned the legality of certain employee involvement strategies that are currently being used. As a result, the Commission on the Future of Labor/Management Relations is considering policies to encourage the use of such programs. However, very little information exists on the use and experience of companies with employee involvement. This report seeks to provide the Commission with a realistic picture of employee involvement in the American workplace.

A survey was developed and sent to the member companies of the Aerospace Industries Association, Electronic Industries Association, Labor Policy Association, National Association of Manufacturers and Organization Resources Counselors, Inc. The major findings of the survey are as follows:

- Almost 75% of the employers responding were using employee involvement. This was not just with a few employees. On average, the respondents included nearly half of their workforce in collaboration programs which would include quality improvement teams, cross-function problem solving teams, task forces and employee-management committees.
- In the past this trend was seen almost exclusively in large companies. However, most of the recent growth in employee involvement has been in small companies. In fact, nearly 60 percent of the small employers implemented employee involvement during the past three years, while half of the large companies have had employee involvement in place for more than six years.
- The survey shows a great deal of diversity in the structure and use of employee involvement. Respondents indicated that employee involvement in their companies takes many different forms, uses different methods for selecting participants, and deals with a broad variety of activities and issues.
- The survey found that the principal use of employee involvement was in the areas of quality, customer satisfaction and analyzing problems.
- Many of the subjects or areas that committees/teams were involved in have been interpreted as violating section 8(a)2 of the NLRA.
- The majority of companies with unions had employee involvement in both their unionized and non-unionized worksites. Of these companies, about 42% found them

equally successful in both facilities, while more than half (56%) found committees/teams more successful in the non-unionized worksettings. Only 2% found greater success in union than non-union.

- Nearly 80% of the respondents with such programs plan to maintain or broaden the use of their committees/teams. Only two percent of the respondents who have tried employee involvement considered it to have failed and planned to discontinue its use.
- Over half of the respondents indicated that their employees would strongly resist the termination of EI. Only five percent indicated that their employees would not care or would welcome the termination.
- More than 40% of the respondents stated that the legality of employee involvement was being seriously questioned. Twenty percent of the respondents stated that they are becoming more cautious about broadening existing programs or implementing new ones. Nearly half of the employers said they were concerned about the government's views, but were making no changes in their current programs.

THE NATURE AND EXTENT OF EMPLOYEE INVOLVEMENT IN THE AMERICAN WORKPLACE

**A Report of a Survey Conducted by the
Aerospace Industries Association
Electronic Industries Association
Labor Policy Association
National Association of Manufacturers
and
Organization Resources Counselors, Inc.**

Background

Employee involvement as a means of promoting the competitiveness of American business is a central concept in contemporary U.S. corporate human resource strategy. But the current nature and extent of employee involvement in the American workplace is not well understood. There is a danger that social policy to encourage, regulate, or direct employee involvement by American employers may be based on inaccurate or unrealistic views of the current experience with employee involvement, and that government policies intended to promote employee involvement could be unproductive or even counter-productive.

In addition, central to the evolution and role of employee involvement in contemporary American business is its relationship to traditional labor force organization and unionization. Employee involvement has been variously viewed as competitive with traditional labor organizations, complementary to them, and parallel but unrelated. In addition, recent administrative decisions by the National Labor Relations Board have raised questions about the legality of certain employee involvement strategies that are currently in widespread use.

In order to understand better the extent and nature of employee involvement in America, the Aerospace Industries Association, Electronic Industries Association, Labor Policy Association, National Association of Manufacturers and Organization Resources Counselors, Inc., conducted a reconnaissance survey of employee involvement in its member companies. The purpose was to identify the kinds of employee involvement strategies presently in use, to identify the extent of the usage of those strategies, to obtain some general measures of the perceived outcomes of employee involvement strategies, and to obtain participants' views of the place of employee involvement in their future business strategies as well as the impact of recent administrative decisions.

How the Survey Was Conducted

A survey mailing list was compiled from the membership lists of the member companies of the sponsoring organizations mentioned above. After elimination of duplication, the list contained 2,503 company names. On December 30, 1993, a survey form was mailed to all companies on the list, together with a letter signed by the presidents of the five sponsoring organizations seeking cooperation with the survey. Sponsors also sent letters to their individual members urging them to respond to the survey. Survey respondents were promised anonymity. By the cutoff date for returns, 532 completed useable survey forms had been received, a 21 percent response rate.

The Survey Population

Because of the way in which the survey population was identified, no claim can be made that the survey results are "representative," in the statistical sense, of the population of American employers. However, the number of firms participating in the survey was very large and diverse. The survey results probably represent a reasonably accurate portrayal of employee involvement in the companies represented by the associations whose members were surveyed. These associations, in turn, represent a significant cross section of American business.

Survey respondents were heavily weighted toward manufacturing (76%), the sector in which employee involvement programs are thought to be most widespread. Respondents represented a broad spectrum of firm size (Table 1), with nearly one in five respondents each with fewer than 50 employees and more than 25,000 employees. The respondents also represented a broad range in union density, and were probably somewhat more heavily unionized than U.S. employers generally. Slightly more than half (56%) of respondents had few or no employees under union contracts, while nearly one-third (30%) had more than 25 percent of their work force under union contract.

Table 1

<u>Number of Employees in Respondent Firm</u>	<u>Percentage of Respondents</u>
50 or Fewer	19
50-199	23
200-999	14
1,000-4,999	10
5,000-24,999	16
25,000 and Over	18

Types of Employee Involvement

More than 3 out of 4 respondents had one or more forms of employee involvement/work team programs in use in their companies. Use of these strategies was strongly related to company size. Although normally associated with large companies, 55 percent of "small" employers responding to the survey used employee involvement strategies. Larger companies did have higher percentages with 83 percent of "medium" firms and 96 percent of large firms did so.¹

Respondents were asked to identify the types of employee involvement programs currently used in their companies from a list of 24 employee involvement strategies arranged in four broad categories. Companies employed diverse employee involvement strategies with the average respondent using 10 of the 24 strategies listed.

Information Sharing. About 80 percent of respondents reported that they shared information with employees by reviewing business plans and objectives, financial status, and/or competitors' performance in meetings, bulletins, newsletters, or by other means.

Soliciting Ideas. More than 94 percent of respondents reported that they solicited employees' ideas, through one or more means. Frequency of use of practices declined as they became more formal and sophisticated.

Method of Soliciting Ideas	Percentage of Respondents
Open Door Policy	82
Department/Work Unit Meetings	72
Cross-Function Meetings	62
Employee Suggestion Programs	57
Employee Opinion Surveys	49
Focus Groups	41

Collaboration. Nearly 88 percent of respondents reported they used one or more employee collaboration strategies. All the strategies listed were used by a significant proportion of employers. (The low incidence of union-management committees is explained in part by the fact that only 42 percent of employers had a significant number of unionized employees.)

¹ Definition of firm size categories: Small company - fewer than 200 employees; Medium company - 200 to 4,000 employees; and Large company - having more than 5,000 employees.

Table 3

<u>Method of Employee Collaboration</u>	<u>Percentage of Respondents</u>
Cross-Functional Problem-Solving Team	63
Quality Improvement Teams	61
Work Unit Problem-Solving Teams	58
Taskforces	49
Employee-Management Committees	48
Work System Redesign Teams	39
Union-Management Committees	30
Large Group Conferences with all Stakeholders Present	27

Decision Making. About 78 percent of respondents reported that they used one or more strategies for involving employees in decision-making. Self-managed work teams were the preponderant form of employee decision making, but all strategies listed were used by a significant number of respondents.

Table 4

<u>Methods of Employee Decision Making</u>	<u>Percentage of Respondents</u>
Self-Managed Work Teams:	
Office	35
Manufacturing	42
Work/Process Flows	38
Manufacturing/Production Cells	36
Focus Factories (production line team)	23

Extent of Employee Involvement

Respondents were asked to identify the proportion of their total U.S. workforce that was involved in some manifestation of each of the four categories of employee involvement strategies. Participation in employee involvement decreased as the programs became more complex, but was substantial in all categories.

Table 5

<u>Employee Involvement Strategy</u>	<u>Average Percentage of Workforce Involved</u>
Information Sharing	71
Soliciting Ideas	69
Collaboration	49
Decision Making	31

Larger companies were likely to involve a larger percentage of their workforce in formal information sharing and soliciting of ideas, while a higher percentage of employees of smaller firms were involved in decision making. (Table 6) However, differences in level of involvement by size of firm were relatively small.

Table 6

<u>Employee Involvement Strategy</u>	<u>Average Percentage of Workforce Involved (by size of employer)²</u>		
	<u>Small</u>	<u>Medium</u>	<u>Large</u>
Information Sharing	64	71	79
Soliciting Ideas	66	68	73
Collaboration	48	44	54
Decision Making	33	32	27

There was a tendency for the percentage of workers involved in employee involvement strategies to decline with level of unionization, but the differences were small.

² See Footnote 1 for definition of firm size categories.

Table 7

<u>Employee Involvement Strategy</u>	<u>Average Percentage of Workforce Involved</u> (by level of unionization) ³		
	<u>Minimal</u>	<u>Moderate</u>	<u>Substantial</u>
Information Sharing	73	75	67
Soliciting Ideas	73	70	63
Collaboration	50	50	46
Decision Making	34	31	27

Length of Experience With Employee Involvement

The survey showed that an increasing number of employers have been adopting employee involvement programs in recent years. Respondents were asked how long their companies had used the more complex employee involvement strategies of collaboration and/or decision making. More than a third of respondents currently using these more complex employee involvement programs had used them for three or fewer years. Companies with greater penetration of unionization and larger companies had longer experience with these strategies. More recent growth in employee involvement has been in smaller and non-union companies.

Table 8

<u>Years Experience With Employee Involvement</u>	<u>Percentage of Respondents</u> (by size of company)		
	<u>Small</u>	<u>Medium</u>	<u>Large</u>
3 Years or Less	58	40	20
4 Years to 5 Years	13	32	30
6 Years to 10 Years	11	17	28
11 Years or More	18	11	22

³ Definition of levels of unionization of the total workforce: Minimal - less than 5%; Moderate - 5% to 24%; and Substantial - 25% or more.

Table 9

<u>Years Experience With Employee Involvement</u>	<u>Percentage of Respondents</u> (by level of unionization)		
	<u>Minimal</u>	<u>Moderate</u>	<u>Substantial</u>
3 Years or Less	47	27	26
4 Years to 5 Years	23	28	28
6 Years to 10 Years	14	23	28
11 Years or More	16	22	18

Selection and Use of Employee Committees and Work Teams

Because of recent questions about the legality of employee-management committees and work teams, the survey explored this form of employee involvement in more detail. Nearly 88 percent of employers using employee involvement relied on some form of work teams or committees. These collaborative activities involved nearly half (49 percent) of the workforce at firms which had collaborative programs.

Method of Selection of Committee/Team Members. Respondents were asked how the non-exempt members of committee/teams were selected. Employers used a variety of ways for creating work committees/teams, and most used more than one method, depending on the nature of the team.

More than half (51%) selected non-exempt employee committee/team members by requesting volunteers. On the other hand, nearly half (45%) had some committees or teams in which non-exempt members were appointed by management. The other common way of choosing non-exempt members of committees/teams was for management and employees to jointly select them (38%). Employees elected non-exempt members of committee/teams in 17 percent of the companies. Non-exempt members were appointed by unions in 10 percent of companies and 13 percent had non-exempt members selected jointly by management and unions.

Relationship of Management to Committees/Teams. The ways in which management related to work groups was even more diverse than their method of selection. Different styles were used for different committees/teams in the same firm. The degree of management control over the activities and decisions made by the committee is a key factor in determining whether a labor law violation has occurred. The greater the degree of control, the more likely the violation. For example, companies whose management has veto

authority over committee/team decisions, or acts as team leader, have a greater likelihood of being found to be dominating the committees.

Table 10

<u>Method of Management Involvement</u>	<u>Percent of Respondents</u>
Management Has Minimal Involvement	10
Management Notified of Decisions/ Actions	35
Management Attends as Observer Only	24
Management Acts as Team Leader	33
Management Attends as Discussion Facilitator	47
Management Oversees and Leads Committees	27
Management Works/Makes Decisions Jointly with Employees or Union Reps on the Committees/Teams	48
Management Assigns Leaders	20
Management Makes Final Decisions on Committee/Team Recommendations	54
Management has Authority to Resolve Issues	50
Management has Veto Authority Over Committee/Team Decisions	37

Issues in Which Committees/Teams Are Involved. Perhaps the greatest diversity was in the kinds of activities in which committees/teams are typically involved. A list of 28 possible activities were provided, and a significant number of companies used committees/teams in each activity. The principal use of employee involvement was in the areas of quality, customer satisfaction and analyzing problems. Activities that focus on terms and conditions of employment could be considered to be illegal under the current interpretation of Section 8(a)2 of the NLRA. Issues such as: grievance and labor disputes; hours of employment/overtime; job assignments/duties; productivity and efficiency issues; training; wages, rates of pay; and, work and family issues could all fall under this umbrella.

Table 11

<u>Area of Committee/ Team Involvement</u>	<u>Percent of Respondents</u>
Analyze Problems	86
Customer Satisfaction Issues	78
Develop and Implement Work Environment Improvements	72
Develop New Ideas and Methodologies	68
Employee Morale Issues	47
Grievances and Labor Disputes	11
Health and Safety	71
Hours of Employment/Overtime	14
Job Assignments/Duties	24
Make Policy and Procedure Changes	26
Minorities/Women Network	16
Participate in Decisions for Improving Quality	89
Participate in Decisions Regarding Work Content and Production Process	65
Participate in Long-Range Business Decisions	13
Plan and Implement Process Improvements	73
Plan, Design and Implement New Products/ Services	34
Product Design	31
Productivity and Efficiency Issues	76
Recommend Policy and Procedure Changes	45
Recreation/Employee Activities	52
Service Problems	50
Set Business Objectives	13
Suggestion Review	29
Training	54
Use of New Technology	32
Wages, Rates of Pay	6
Work and Family Issues	22

Use of Committees/Teams in Unionized Facilities. The vast majority of companies with moderate or substantial levels of unionization used collaborative employee involvement strategies in both union and nonunion settings. In companies with moderate levels of unionization 87 percent used committees/teams in both union and non-union facilities, while

10 percent used them in non-union facilities only. At companies with substantial levels of unionization, 13 percent used teams only in union facilities, 2 percent only in non-union facilities and 77 percent in both union and non-union facilities.

Of those that used committees/teams in both union and non-union settings, about 42 percent found them equally successful in both facilities, while more than half (56%) found them more successful in non-union facilities. Only 2 percent found greater success in union than non-union.

Employee Representation in Non-Union Facilities. In 80 percent of the non-union facilities, non-exempt employees represented the interests of others who were not members of the committee/team.

Reasons for Adopting Employee Involvement Strategies

When respondents were asked to rank the most important reasons for adopting employee involvement programs, factors related to management of production quality emerged as the principal motivation. More than half of respondents rated improving competitiveness, improving customer satisfaction or improving product or service quality as the most important factor in their decision. Improving worker productivity was the second most important reason for adopting EI programs. Personnel management factors such as improving employee job satisfaction and improving communications between management and employees was the third most important motivator. Relatively few companies listed organizational factors such as "decrease bureaucracy" and "reduce layers of supervision" as motivators. Also, few listed "cost cutting" as a motivator.

Perceived Results of Employee Involvement

Employee involvement programs were broadly viewed as successful. Nearly four out of every five respondents who had EI programs said they planned to maintain or broaden use of the programs. About 19 percent said they found them successful in some facilities but not in others. Only 2 percent of employers considered their EI programs to have failed and planned to discontinue them. Neither size of workforce nor level of unionization appeared to have a significant impact on the success or failure of EI programs and employers' plans to continue them.

In identifying the most significant results or improvements companies perceived from the use of employee involvement programs, respondents most frequently listed "improved productivity," "improved quality," "reduced costs/expenses" and "improved employee morale and motivation."

Respondents were specifically asked to what extent, if at all, levels of supervision had been eliminated in their companies as a result of employee involvement programs. About half indicated the programs had no impact on levels of supervision, while 7 percent said they had a large impact in reducing supervision. Companies with programs in place longer and smaller companies were more likely to indicate that EI programs had a large impact in reducing levels of supervision.

Respondents were also asked about the reaction of their affected employees if the company were to phase out its employee involvement programs. Slightly more than half indicated affected employees would strongly resist terminating the programs. About 20 percent thought the reaction would vary too much from site to site to generalize. However only 5 percent indicated employees wouldn't care or would welcome the action.

Perception of the Federal Government's Attitude Toward EI

Respondents were asked how they thought employee involvement programs were being viewed by the Federal government. More than 40 percent responded that they thought the legality of EI was being seriously questioned. About 30 percent thought there were potential problems with some approaches to EI, but felt a careful employer could avoid the pitfalls. Only five percent felt there were no legal problems. Large companies were much more likely to perceive problems with the Federal government's attitude toward EI than small firms.

Slightly more than 20 percent of employers indicated they were "becoming more cautious about broadening existing EI programs or implementing new ones" as a result of their perception of the Federal government's view of EI. Nearly half of employers said they were concerned about the way the Federal government views EI, but were making no changes in their company's current programs.

Conclusions

The survey of the nature and extent of employee involvement in American business shows that it is widespread and growing. Larger firms, and more completely unionized firms, have been heavily involved in employee involvement for many years. More recently, the growth in employee involvement has been led by smaller, non-unionized firms.

Employee involvement takes on very diverse forms. There are high levels of employee involvement in one or more types of information sharing, soliciting employee ideas, management/employee collaboration, and employee decision making. The specific forms this employee involvement takes are also extremely diverse, and the typical firm used an average of 10 different types of employee involvement strategies simultaneously for different purposes and under different circumstances.

Diversity is also apparent in the procedures for selecting committee members and the way management and worker representatives relate to each other in an employee involvement program. Many employers used several methods simultaneously for different purposes.

The principal motivators for adopting employee involvement programs are related to management and assurance of product quality. The vast majority thought their programs were successful, and planned to maintain or expand them. At the same time, there was concern about future government policy toward employee involvement, and some firms were becoming cautious about broadening employee involvement programs and implementing new programs.