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*Work in America Institute*

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## Testimony of Jerome M. Rosow Before the Commission on the Future of Worker-Management Relations

### Comments

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work in america institute, inc.

Founded to advance productivity and the quality of working life

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COMMISSION ON THE FUTURE OF WORKER/MANAGEMENT RELATIONS

Washington, D.C.

JEROME M. ROSOW  
President and Founder  
Work in America Institute

September 15, 1993

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Jerome M. Rosow  
President and Founder  
Work in America Institute  
Presentation to:  
Commission on the Future of Worker/Management Relations  
September 15, 1993  
Washington, D.C.

**I. Brief Description of WAI**

- Origin and mission (tripartite Board)  
Goals:
  - improve labor/management relations
  - improve productivity *and* the quality of working life
  - encourage E/I and teamwork
- Productivity Forum: research information services, site visits, roundtables, networking
- Plant Managers' Networks
- Policy Studies

**II. What Has the Institute Learned Since 1975?**

- Slow start in American industry: skepticism and lack of US models, limited confidence in real effects of HR involvement
- Response begins late 70s
- Marked increase after '82 recession—especially in manufacturing  
(Note: Manufacturing productivity at 4.5% vs service sector, which also excluded *quality* changes)
- Transition from job enlargement/job enrichment—QWL—E/I—teams—jointness—TQM
- High performance work systems—new work systems are systemic, paradigm changes
- Slow transfer of concepts from manufacturing (production workers primarily) to clerical and service employees, managers and professionals

- Joint programs led the way in autos and telecommunications, followed by steel, paper, electrical manufacturing, with modest changes in other sectors of the economy
- Delaying and flat organizations have placed middle management in jeopardy (8 levels to 3) *before*, now they are more threatened and more resistant to change

### Current Status

- Body of evidence re: *economic benefits* was the critical factor in attracting top management attention: move to quantum leaps (GE Bromont, GE Drive Systems) Productivity gains of 50% after several years
- Programs vary between and within organizations
- Joint programs and non-union management controlled programs exist
  - when the union is a real partner results are stronger +30% + QWL
  - management is reluctant to delegate and to eliminate the strong autocracy which worked so well in the past, the union requires a commitment
  - union partners become committed to change to save the jobs and drive the system forward, they ensure that workers have a voice
- Global competition, loss of market share, demand for higher quality, and cost controls have been critical factors inducing a major change, especially towards the HR factor *within* the organization. Organizations in crisis, have been first to respond, and were able to turnaround
- Rate of improvement has shifted from 3 to 5 years to 1 to 2 years as the learning curve moved up
- However, no large corporation has been successful in achieving the institutionalization of their own "best practice." Indicating that the resistance to change is imbedded in the culture of each workplace and the system cannot be mandated or achieved by bargaining an agreement to change or by management edict.
- Today the level of penetration and diffusion of high performance work systems appears remarkable vs 1975. *BUT* as a percentage of *employment* in the US it represents a small fraction (probably 1 to 2%); it is concentrated in the Fortune 1000 companies; and is quite uneven within and across participating unions
- The nation has failed to engage other sectors, *especially*: government, education, and healthcare. These are labor intensive and are highly unionized and ripe for change. They provide critical targets and since all three sectors are experiencing serious problems, the need is obvious.

- Human resources within an organization truly represent the strategic factor which can achieve and sustain competitive advantage since it cannot be easily copied by competitors. By contrast technology achieves a short term competitive advantage. What we have learned over the past two decades of American experience is that workplace innovations built upon genuine employee participation in decisions give the successful organization a sharp competitive edge, a sustaining life force which goes beyond technology and capital, and an inherent capacity for self-renewal. Engaging the fuller potential of human resource talent is an art form which cannot be replicated by competitors, since it cannot be duplicated within the firm.

Any legislation or NLRB rulings which impede genuine workplace reforms would seriously limit our ability to compete and be adverse to growth. Since these work innovations are so important to the economic future of America, what are the obstacles which impede their diffusion across all sectors, and what prevents their institutionalization with major organizations which have achieved models of excellence?

### III. High Performance Systems

Participative leadership is characterized by the following principles:

1. Management command and control systems are replaced by employee and union involvement, joint decisions, and self-managing teams.
2. The organization and work system support employee involvement in decision making as basic to high performance.
3. Employee involvement is based upon a foundation of mutual trust and respect between leaders and employees and, where unions are present, between labor and management.
4. The institutional relationship between management and union are redefined to achieve mutual trust, mutual goals, and sharing of knowledge.
5. Open communications are real and continuous.
6. Authority is decentralized and delegated to the lowest level feasible.
7. High performance goals are reinforced by human resource, training, and industrial relations practices which support a high quality of working life, including sensitivity to the employee need for a secure future.
8. Continuous learning is built into the system with training, training and more training

9. The rewards system recognizes and reinforces the participative process, the team, and the individual.

#### IV. What are the Real Obstacles to Diffusion of These Ideas?

- Only the employer has the power to engage a process of systemic change; however, the prevailing values of top management prefer the status quo and stability. The mindset resists systemic change.
- Historic adversarial relations between management and labor is an ever-present barrier to creating a relationship which must begin and remain founded on *Trust*
- Management sets unrealistic expectations and is too impatient for quick results
- Unions are ambivalent in their policy position viz joint programs in view of past history of relations and in light of anti-union policies which prevail in the nation
- Employers shy away from joint programs in the belief that unions are rigid about work rules, seniority rights, overtime, and multi-skilling
- Middle management resistance to change is a serious problem. Loss of status and job security resulting from cutting the levels of supervision (8 to 3 levels) has intensified resistance.
- Downsizing in America is often the result of work reorganization; therefore, unions and employees are fearful that participation is *not* in their self interest
- Resistance to change, a universal condition in human behavior and especially where vested interests may be at stake
- Inadequate investment in the change process, especially training at all levels, top to bottom, with special emphasis upon so-called "soft skills": problem solving, conflict resolution, peer relationships, cooperation and teamwork, and business economics

These obstacles may be viewed as daunting. But the facts are that they have been overcome with great success in many companies and unions where the will and determination was present.

#### V. Outlook for Growth and Development of High Performance Work Systems

1. Based upon the high added value of these systems, their growth should become a first priority of business strategy. They are a unique competitive advantage and blend the interests of management, worker and unions in a manner which is envied by competitors and which cannot be matched easily, if at all.
2. The leadership of President Clinton and Secretary of Labor Reich and Secretary of Commerce Brown introduces a new and important political significance. It has already elevated the level of national attention. Continued



education, information, and propaganda should serve to promote and expand efforts to diffuse the best practices and encourage pilot programs and experimentation. However, the Clinton Administration must develop a support system with adequate financial resources to stimulate increased initiatives by employers in all sectors of the economy.

3. Downsizing has adverse effects on employee morale, union membership, lowers expectations, and impedes the willingness to change. Employment security must be part and parcel of the process (within defined, reasonable limits). It is more important than any other reward system. Unless employment security is part of the bargain, the rate of growth will be slower and more difficult to achieve.
4. The state of the American economy and the global marketplace pressures create a powerful incentive to change and to grasp the competitive advantage offered in high performance work systems. Thus, there is a real need to accelerate top management exposure to the bottom line results and stimulate more initiatives to change.

#### **VI. Joint Labor/Management Committees**

Joint committees have a long and checkered history in American labor relations. Such committees have addressed: health and safety, apprenticeship training, benefit plan administration, drug abuse and alcoholism, pre-retirement counseling, absenteeism Ad hoc committees to address critical issues prior to collective bargaining. These committees have made valuable contributions to the enterprise and to the quality of working life for the union members and the workforce as a whole.

However, they are not equivalent to Joint Labor/Management Committees which create and support high performance work systems. Labor/management joint programs have encouraged leaders on both sides to find areas of mutual interest. The new partnerships are helping to ensure competitiveness and thus build long-term employment security. While respect for differences continues, the improved relationships are contributing to more collaborative bargaining approaches.