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Economic Policy Institute

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1401 TOPIC
"Future Worker Management"

Economic Policy Institute

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Testimony of Eileen Appelbaum

Associate Research Director, Economic Policy Institute

before the

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Cornell University

Commission on the Future of
Worker-Management Relations

January 19, 1994

Mr. Chairman, Members of the Commission:

Good afternoon, and thank you for the opportunity to testify. I am Eileen Appelbaum, Associate Research Director of the Economic Policy Institute. The purpose of today's hearing is to establish the facts about workplace employee participation as they relate to the legal aspects of participation under the National Labor Relations Act. I recently published a book, The New American Workplace, with Rosemary Batt in which we review and analyze nearly 200 case studies and consultants' reports on workplace innovations in services and manufacturing. We were able to draw some broad conclusions about the nature of workplace transformations in U.S. firms. I believe that the framework we developed for classifying workplace changes will help the Commission sort through the many different types of employee participation that have been introduced in American companies. I hope This framework will enable the Commission to distinguish in a systematic manner between types of participation that fall within the bounds of current labor law requirements and those which easily shade over into illegal activities.

One of the important conclusions that emerges from my research with Rose Batt

is that there are two distinct fully-developed models of high performance work systems that U.S. firms have adopted. (There are, of course, many examples of partial models or piece-meal adoption of one or another innovation.) While both of these fully-developed high performance approaches are reported by managers to yield substantial improvements in efficiency and quality, the outcomes for workers in terms of autonomy, empowerment, employment security, and a share in performance gains may be very different. The important distinctions between these two approaches to high performance often go unrecognized, and it is usually assumed that all high performance workplaces share essentially the same characteristics. As a result, discussions of workplace transformation end up evoking notions of worker empowerment that are characteristic of only one of these models and attributing them to all high performance companies.

The vision evoked by the term "high performance workplace" is of a workplace in which distinctions between managers and employees are dissolved, supervisors are eliminated, and frontline workers get lots of training to enable them to perform multiple jobs and to take responsibility for their own performance. In the workplace, employees are organized into self-managed

teams with the authority to control the pace of work, make decisions about work methods, and resolve problems with work processes or customer satisfaction as they arise. Employees are involved in decisions beyond the shop floor the work site, participating as equals in committees that make decisions about training and new technology and providing input into decisions about investment or new markets.

This is a model that does indeed exist, or is in the process of being implemented, at sites in a number of U.S. companies. I don't have to mention to this audience that the complex of Xerox plants in Webster, New York was among the first to develop and adopt this high performance model. Other well-known (and not so well-known) companies undertaking this type of transformation include Saturn, some of the Corning plants, National Steel, LSE, some of the Inland Steel plants, Bell South, U.S. West, AT&T, Champion Paper, Magma Copper, Goodyear Tire, some of the Hewlett-Packard facilities, Sew Special, and many others.

But this is not the only high performance model that exists in the U.S. Far more common is a model in which the basic work organization is largely

unchanged. Workers may have received one or two days of training in "customer focus" or "quality," and may be authorized to push a button or pull a switch if they observe a defect or problem. But a visitor from Mars would be hard pressed to tell the difference between these work sites and traditional work sites in old fashioned companies.

There are important differences, of course, between the employee involvement model of high performance and traditional work places, but they do not have to do with the organization of work or the empowerment of frontline workers. Instead they relate to the decentralization of decision making from top management to middle managers and to the participation of a small number of workers in discussions of selected issues that take place away from the work site. Middle managers in these high performance companies participate in Quality Council or other interdepartmental management structures in which they are empowered to resolve difficulties and coordinate production among themselves. They no longer need to send problems up the chain of command and wait for decisions to come back down. A small number of Frontline workers are involved in off-line problem-solving or quality improvement teams which meet weekly or monthly and which bring together employees and

managers to address specific problems. While these workers are pleased to have their opinions solicited, are glad to contribute their knowledge, and enjoy the respect they receive when they participate in these kinds of teams, and while the company's decisions are undoubtedly improved by this participation, these workers have not been empowered. And most workers don't even have this opportunity to participate. There is little increase in the control or autonomy workers have in their day-to-day activities, and even less opportunity to influence company decisions that affect the continued viability of the work site or plant. Workers have no guarantees of employment security and no guarantee that they will share in the company's performance gains or that they will be compensated for learning new skills and taking on new responsibilities.

The following chart -- modeled on a table in The New American Workplace that was developed in order to classify the main foreign alternatives to the mass production model of work organization and industrial relations (in Japan, Germany, Italy, and Sweden) -- formalizes these observations. In this chart, workplace innovations are classified in four categories: management methods, work organization, human resource practices, and industrial relations. It is instructive to observe the different places where employee participation can take

Fully Developed Models of High Performance Work Systems

Management methods	<u>Employee Involvement</u>	<u>Employee Empowerment</u>
Structure		
Decentralized	Yes	Yes
Flat	Yes	Yes
Quality Councils (Managers)	Yes	No
Conformance quality		
Process improvement teams	Yes	No
Process standardized	Yes	No
Quality improvement teams	Yes	As needed
Problem solving teams	Yes	As needed
Design for manufacturing	Some companies	Yes
Interdepartmental task forces	As needed	As needed
Work organization (frontline workers)		
Shop-floor Teams	No	Yes
Autonomous		
Pace	No	Some-to-Full
Methods	No	Some-to-Full
Problem diagnosis	No	Yes
Continuous improvement	No	Yes
Jobs rotate/enlarge	Some Workers	Yes
Cycle time per job	Traditional	Long
Quality assurance	Some Companies	Yes
Routine maintenance	No	Yes
Administrative tasks	No	Yes
Skills		
Vertical tasks	No	Yes
Integration of horizontal tasks	Some Workers	Yes
Depth of knowledge	Limited	Team characteristic, not individual
Flexibility in deploying workers	Some	High

Fully Developed Models of High Performance Work Systems (cont')

	<u>Employee Involvement</u>	<u>Employee Empowerment</u>
Human resource practices		
Training		
Job skills	Yes	Yes
Cross-training	Some Employees	Most Employees
Customer focus	Yes	Yes
Quality consciousness		
Group decision making/ problem solving	Yes	Yes
Leadership	Some Employees	Most Employees
Quality/statistical processes	Some Employees	Most Employees
Team building	Some Employees	Most Employees
Compensation		
All salaried	No	No
Seniority-based	Some Companies	Some Companies
Job-based	Some Companies	Some Companies
Knowledge/skill-based	Some Companies	Most Companies
Individual incentives		
Merit raises	Some Companies	No
Group incentives		
Profit sharing	Many Companies	Some Companies
Gainsharing	Some Companies	Most Companies
Stock ownership	Some Companies	Some Companies
Employment security	No	Yes
Trust	Yes	Yes
Industrial relations		
Unions	Yes/no	Usually
Guaranteed individual rights for employees	Some Companies	Yes
Workers' and managers' status differences reduced	Some Companies	Most Companies
Power sharing		
Joint consultation committees	Yes	Yes
Joint labor-management committees	No, except some union cos.	Yes
Training	No, except some union cos.	Most Companies
Health & Safety	No, except some union cos.	Most Companies
Partnership structures for tactical and strategic decisions	No	Yes

place and where, in the two models of high performance, it does take place. In the employee empowerment model the work process itself is reorganized so that the work group exercises considerable decisionmaking authority over the pace and methods of work, and is held responsible for group performance in reducing defects, raising throughput time, minimizing equipment downtime, increasing customer satisfaction, or otherwise reaching performance goals. Work groups and managers may agree to establish problem-solving teams to meet off line to deal with particular problems, when appropriate. And workers or their representatives participate in operational, tactical, and strategic decisions--such as decisions to reengineer the work process--that take place beyond the shop floor. Partnership structures are a common feature of the employee empowerment model. In the employee involvement model, in contrast, a small number of frontline workers take part in decisionmaking mainly through their participation in quality improvement or problem-solving teams initiated by managers to address particular issues whose parameters are, in general, established by management. In unionized settings, joint labor-management committees may address training or health and safety concerns.

I am not a lawyer, of course, but my reading of the NLRA and Section 8(a)2

suggests that changes in work organization and the empowerment of frontline employees via shop floor or work site teams do not violate current labor law. Employee participation in the category of "work organization" and the employee empowerment high performance model in general should not pose any legal problems for U.S. companies under the NLRA.

Management may choose to carry out its management functions by creating teams of managers and employees to reduce defects or errors and improve conformance quality (quality improvement or problem-solving teams), to improve manufacturing design or job design, or to deal with general problems of job satisfaction or employee morale. This participation comes under the heading of "management methods." In principle, such teams can operate within the framework of current labor law. In practice, it may be difficult to separate discussions of process improvements from discussions of job assignments and conditions of work, or discussions of quality training from discussions of pay for skills and compensation. Drawing these lines often proves to be difficult. While participation in discussions of pay or conditions of work is legal in a unionized context and with appropriate union involvement, it is illegal otherwise. Allowing management to appoint both workers and managers to

these discussions of wages or conditions of work, is not a solution in a democracy. How to provide workers who are not unionized with enforceable rights to be represented, to receive accurate and timely information, and to express their opinions in these discussions without fear of reprisal is a thorny problem which the repeal of 8(a)2 does not resolve.

Finally, industrial relations that encompass joint employee-management structures in which information and power over decisions beyond the shop floor or work site level is shared between employees and managers -- structures for communication and information sharing, for designing training programs and selecting workers to receive training, for designing methods for producing new products or reengineering the work process -- are legal in union settings where the union is a partner and probably violate the NLRA otherwise. The question of legality hinges on how employees who participate in these structures are chosen. It is difficult indeed to imagine how such partnership structures can be established outside a unionized context, and in fact they occur only rarely in non-union settings.

If the Commission agrees that employee empowerment is the key not only to

high performance companies but to rising skills and living standards--and this is the conclusion Rose Batt and I reached in our research as have many others who have previously testified before you--then labor law will have to be reformed to remove the impediments workers now face in obtaining representation in decisionmaking and protection for the free expression of ideas in forums set up to elicit employee input. A strong case can be made that a major obstacle to the diffusion of the empowerment model of high performance is the low level of unionization in many industries. This high performance model is diffusing most rapidly in precisely those industries, such as autos, steel, and telephone services, which still have high rates of unionization.