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Minutes of the July 28, 1993 Meeting of the Commission on the Future of Worker-Management Relations

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Commission on the Future of Worker-Management Relations

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COMMISSION ON THE FUTURE OF WORKER-MANAGEMENT RELATIONS
MINUTES OF MEETING HELD ON WEDNESDAY, JULY 28, 1993

The Commission on the Future of Worker-Management Relations convened on July 28 to hear presentations on employee committees and other forms of employee involvement programs. The meeting scheduled for September 15 will also address these matters. Chairman Dunlop and all members of the Commission attended, along with Counsel Paul Weiler. The Designated Federal Official for the Commission, Mrs. June Robinson, was present at the meeting.

Chairman Dunlop noted at the outset that the sessions are designed to provide a factual basis for answering the first of three questions comprising the Commission's mandate: "What practices and institutions should be encouraged or required to enhance productivity and employee involvement?" A list of the questions that had been sent to presenters by the Commission to guide their discussion was provided to members of the audience, along with written summaries and other materials provided by the participants.

Chairman Dunlop emphasized that the committees and companies invited to give presentations were selected from among those suggested by Commission members and groups such as the Council of Small Business of the Chamber of Commerce, the National Association of Manufacturers (NAM), and the Labor Policy Association. The presentations are not to be construed as either a "representative" sampling or necessarily the "best" examples of such committees.

The morning session consisted of presentations from the manufacturing sector and on health and safety committees, and the afternoon featured discussions of employee involvement programs in large and small businesses in the service sector. First came general remarks by Peter Pestillo, Executive Vice President of Ford Motor Company. He credited the United Auto Workers with playing a major role in the revival of the company in the 1980s. He stated that in his view the success of labor-management cooperation depends on several factors: The employer's acceptance of unions, leadership on both sides, education in cooperative processes, periodic revitalization of the relationship, and a realization that special crises and problems can threaten cooperation and need to be dealt with. The role of government, he said, should be to educate, set the tone, minimize regulations, but not impose a single model. The parties must create their own model.

Mr. Pestillo then introduced a presentation by workers, union representatives and managers from the Sharonville, Ohio transmission plant, which developed a program of self-directed

work teams in response to a threat of plant closure in the 1980s, building upon an employee involvement process that Ford began in 1980. Sixty-seven self-directed, skilled cross-functional teams, for which workers volunteer, undergo at least 80 hours of training. There is one manufacturing job classification -- manufacturing technician --, a team coordinator elected from among hourly workers every 30 days, and a salaried team advisor selected from former supervisors.

Among the key characteristics of the Sharonville system are a flatter hierarchy, based on the removal of at least two levels of supervision; pay for knowledge (pay differentials are based on skills acquired); and training 151 different courses are offered, and persons in the basic job classification receive at least 80 hours of training, not only technical but in relationships and team-building.

Commissioner Allaire asked whether this system exists throughout Ford and if not, why not? Mr. Pestillo said that the system is being advanced throughout the company since they have discovered that it is as appropriate for assembly plants as for manufacturing. On the other hand, change is not instantaneous; barriers to its spread include insecurity, and changes in leadership, both union and company. In response to Commissioner Marshall's question about pay incentives for teams, the panel noted that the only pay differentials are knowledge-based; there is company-wide profit-sharing. Commissioner Freeman asked why the company is willing to make public these secrets of its success; Mr. Pestillo replied that they are "patriots" wishing to help the Commission in its inquiries. Besides, the techniques are not unique -- the difference is in the people.

Chairman Dunlop questioned the United Auto Workers (UAW) representative about the mechanics of selecting team leaders: is there campaigning for such jobs, what are the issues, is there turnover, what is the virtue of electing them? The response was that there is some turnover; some members do not want to continue in the job, which carries a 10 cents an hour differential. But some leaders stay in the position as long as 7 or 8 months. The feeling is that voting on team leadership is a natural and proper thing for the team to do.

Commissioner Gould asked how disputes between the team and its advisor are resolved. The plant manager has the final say but such disputes are rare. Commissioner Kochan noted that the team structure blurs the National Labor Relations Act's (NLRA) line between employee and supervisors: the response was that the NLRA plays a very small part in our lives." Commissioner Marshall asked about team involvement in health and safety issues. These matters are considered jointly, plant-wide, and

are not contentious. Safety problems are resolved by whoever discovers them first, but the company deals with the "meddlesome detail" of keeping the records required by OSHA.

Asked whether he could compare the economic performance of Sharonville with other plants that have not moved to the team concept, Mr. Pestillo said that he "does not want to know the economic gains or savings; we do this because it is right." Chairman Dunlop closed the questioning of the Ford panel by asking if any international comparison could be made. Mr. Pestillo replied in somewhat abbreviated form that the Germans have a rigid structure of employer-employee relations but the skills of workers are excellent; that Japan features collegial relationships with "so called unions" and the sense of community is pervasive: workers do what they're told. Britain's unions are very political and are operating in essentially a low-wage country; there seems to be more interest in time off than in productivity. The US, he views as the best system: the work ethic is good and the workforce is "bolder," while the structure is less rigid than the German. The great need in the US is to increase the skills of the workforce through training.

A tri-partite panel from Oregon discussed the state's mandated joint health and safety committees, which were first required as part of broad-scale workers' compensation reform legislation in 1990. Pointed questioning by Chairman Dunlop drew out the key fact that the legislation was crafted out of structured negotiations between labor and management. The overall worker's compensation reform is credited with saving roughly \$2 billion since 1989; data on the savings attributable to the committees alone are not available, but the process has reduced the number of complaints and permitted Oregon (OR-OSHA) to concentrate on high-risk workplaces. The panel emphasized the need for training of both employers and employee members of the committees: employers had particularly feared a loss of control in the workplace that did not materialize. Resource limitations have sometimes required the Oregon agency to "train-the-trainer."

A presentation on the Will-Burt Company in Ohio, a small nonunion job shop doing metal fabricating and machining, exemplified the development of employee involvement in response to financial crisis. A large product liability judgment in the mid 1980s provided the impetus for changing the company from family-owned to an Employee Stock Ownership Plan (ESOP). The company has teams to address problem-solving, safety, quality, personnel, and costs, as well as administration of the ESOP itself. A major factor in the turnaround of the company has been the emphasis on training, bringing GED and other basic skills to workers, as well as training in health and safety. The Ohio Industrial Commission has helped the company with expertise.

The afternoon session began with Cheryl Womack, CEO of VCW, Incorporated, a nonunion small insurance company in Kansas City with 74 employees. She also represented the Chamber of Commerce's Council of Small Business. Ms. Womack described employee committees in her company in areas such as day care, suggestions, employee of the month, recycling, and troubleshooting. The presentation also was devoted to problems faced by small business, particularly compliance with excessive government regulation such as the Family and Medical Leave Act (FMLA), the elimination of a mandatory retirement age, and other labor requirements. Commissioner Fraser noted the need for such statutory protections, particularly the FMLA, and Commissioner Kochan pointed out that if government regulations are burdensome, the parties need to take on responsibility for developing alternative solutions.

A labor-management panel discussed labor-management cooperation in health care in the Twin Cities. The jointness project between hospitals and SEIU Local 113 and other unions began without the impetus of a financial crisis; it started about 10 years ago with the realization that changes in the health care industry would require moving from an adversarial to a cooperative relationship. The process involves trust, continuous quality improvement, mutual gains bargaining, and joint committees or councils at all levels of the multi-hospital corporation, from bargaining unit on up.

The parties have agreed that there will be no layoffs from the job redesign projects that are being pursued. The relationship does not supersede collective bargaining; wages, benefits and grievances are excluded from the cooperative process. The joint process received an FMCS grant in 1985, and has received other assistance from the State Bureau of Mediation Services and the National Center for Dispute Settlement. Panelist noted that barriers to the development of cooperation include the fears of both labor and management, and the belief that current labor law does not promote cooperation.

An Executive and a Quality Action Team (QAT) from Federal Express, a large service firm in the unorganized sector, provided the day's final testimony. The officer described the development of the quality process at FedEx, and noted that it had applied for the Baldrige Award in 1990 to assess its efforts; it was "surprised and delighted" when it won. Team members described how it was formed to address specific problems at the Memphis "minisort" operations.

The team consisted of two supervisors and 10 part-time hourly workers who were employed from 12 midnight to 4:00 a.m. It was noted in the question period that membership of supervisors on the teams is not mandatory -- the team focus is on 3function, not who holds what job. Further, team recognition does

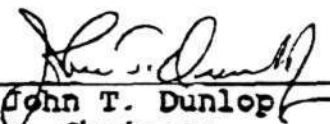
not involve additional compensation. Through brainstorming and other problem-solving tools the Memphis team produced potential savings of \$700,000 a year and a manning reduction of almost 50 percent, which resulted in a reduction of hours, not a loss of employees.

While expressing the wish not to take away from the accomplishments of the QAT, Commissioner Fraser pointed out that the Commission has received statements from other FedEx workers expressing dissatisfaction with the employer and that in one district 65 percent of workers had signed UAW authorization cards.

As noted above, the next meeting of the Commission on September 15 will continue the discussion of employee committees and other forms of employee involvement programs. In a separate development, the period for comment on the issue of whether the Commission should examine the Railway Labor Act was extended to September 15. It was also announced that the first regional session of a working party of the Commission will be held on September 22, 1993 in Louisville, Kentucky and the second regional session will be held in East Lansing, Michigan on October 13, 1993.

The Commission adjourned at 4:15 p.m.

Certified by:



John T. Dunlop
Chairman



Date