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Debate: Worker Ownership: A Tactic for Labor

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Debate: Worker Ownership: A Tactic for Labor

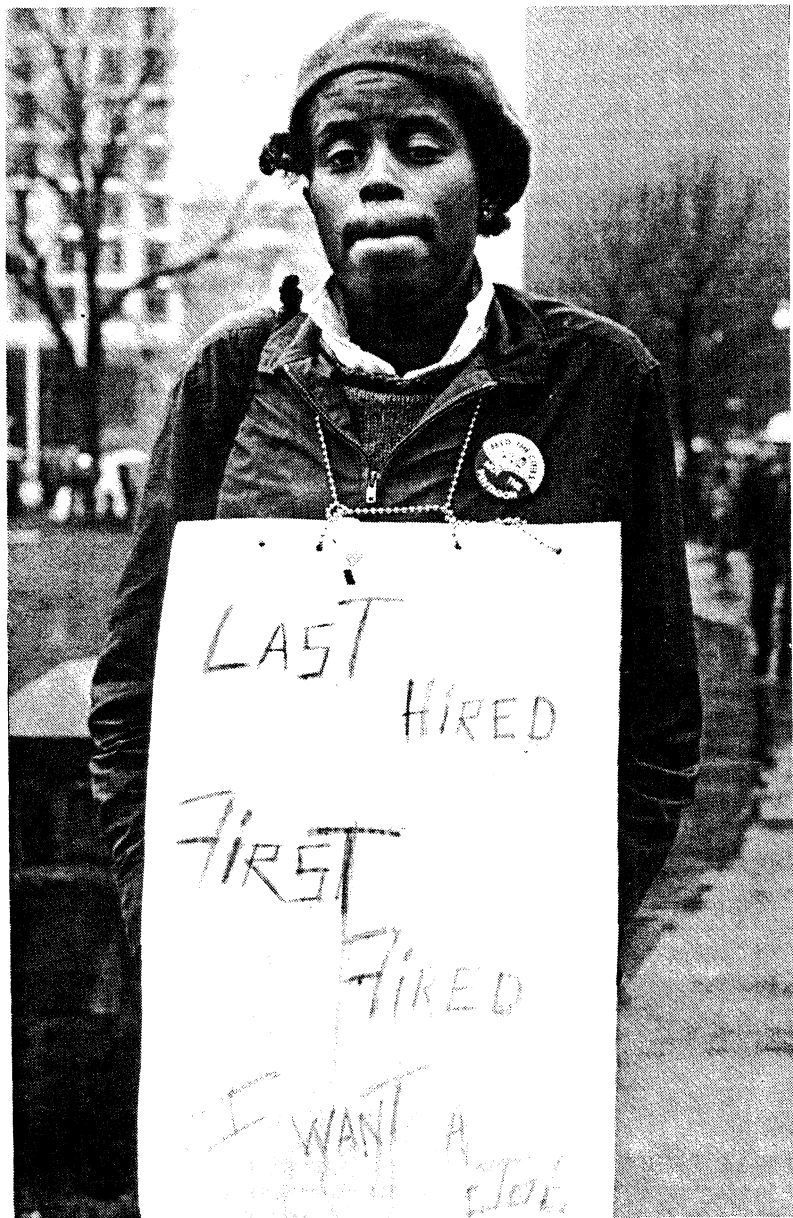
Abstract

[Excerpt] Two years ago Taylor Forge, a subsidiary of Gulf + Western, I closed. I had worked there for almost eight years as a production I machinist, and I was Grievance Chairman of United Steelworkers Local 8787. During the last two years before the doors shut, G + W I had demanded concessions as a trade-off for the "possibility" of job security. By that time, through our own research, we knew we were victims of G + W's "milking" strategy. Concessions wouldn't have saved jobs. They would have just increased the demoralization and financial strain on our members as the place went down. We didn't grant concessions. The factory died department by department and order by order, led by a smart-ass company accountant who was hated by his own management team as much as by the workers.

It was common to hear on the floor, as workers watched the source of their income and pride collapse, "We could run this better ourselves without them." When you looked at the probable 20% profit rate that G + W expected from Taylor Forge, the policy for maintenance and inventory geared to draining rather than maintaining, the enormous morale problems, and the incredible mismanagement contrasted to the skill, commitment and; knowledge of a veteran work force—workers' capacity to run it better wasn't an idea that was out of the question. Certainly difficult, but not impossible. But this was an option that neither my local nor myself knew much about at the time.

Keywords

Taylor Forge, Gulf + Western, USWA, plant closings



Jim West



Worker Ownership

A Tactic for Labor

■ Dan Swinney

Two years ago Taylor Forge, a subsidiary of Gulf + Western, closed. I had worked there for almost eight years as a production machinist, and I was Grievance Chairman of United Steelworkers Local 8787. During the last two years before the doors shut, G + W had demanded concessions as a trade-off for the "possibility" of job security. By that time, through our own research, we knew we were victims of G+W's "milking" strategy. Concessions wouldn't have saved jobs. They would have just increased the demoralization and financial strain on our members as the place went down. We didn't grant concessions. The factory died department by department and order by order, led by a smart-ass company accountant who was hated by his own management team as much as by the workers.

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Since I was laid off from Taylor Forge, I have worked as the Director of the Midwest Center for Labor Research. We now have two major projects focused on plant closings, one on Chicago's West Side and the other in the Calumet Steel Region of Indiana.

In these projects, we have looked closely at a large number of actual and potential plant closing situations. At some of the factories, nothing could be done. The damage was too great and the problems of the market were awesome. But in many situations there are options that could save jobs, save the local union, and help preserve the fragile economic stability of the community. It's this experience which prompts me to enter the debate on the role of worker ownership and the labor movement.

There are a number of points where Mike Slott and I agree:

1. There is a long-term fundamental crisis in the American economy which includes a corporate and government offensive against workers and unions.

2. There is confusion within the ranks and leadership of the labor movement on how to respond to worker ownership.

3. The record of worker ownership in this country has been less than "dazzling," as is reflected in the articles of this issue of *Labor Research Review*. Worker ownership has often been used by employers to bust and neutralize unions. Worker ownership has been grasped at in desperation by those seeking to save an already ruined company, often leading to further demoralization.

4. In specific situations, worker ownership can and has led to workers viewing themselves as capitalists and adopting the appropriate outlook. It can lead to a focus which upholds the primacy of the success of a particular enterprise over everything else. It can perpetuate the illusion that all of workers' problems can be solved in the workplace and at the company level, without resort to mass political action and union solidarity.

But Slott's view ignores an important tactical approach that should be labor's tool rather than only a corporate tool or part of a utopian's wish list. His rejection of worker ownership narrows the scope of the labor movement when it desperately needs to be broadened.

Labor in A Declining Economy

A profound change has taken place in the economy, a change which requires an equally profound change in labor's approach.

In the mid 1970s, the American economy began to reflect dramatic symptoms of a period of sustained decline. We entered a period of sharper international competition and a real loss of American market share in most areas of production; a sharper and more intense scramble for profits; and a general lowering of the real and social wages of the American people.

As a result, there is increasing unemployment and attacks on union strength and organization. There is a fostering and

strengthening of divisions by increasing attacks on women, minorities and affirmative action. Most important, there is a corporate willingness to discard whole industries, communities, people and productive capacity not because they aren't profitable but because they aren't profitable *enough*.

Within this deepening long-term crisis is the emergence of a political and economic vacuum in major urban and industrial areas. Companies which provided job creation and economic development in an expanding economy are now exporting capital and casting off assets in traditional industrial areas. Traditional defenders of the people's livelihood—like the civic machinery, political parties, the church, and organized labor—have been unable to fill the vacuum created by the change in corporate strategy.

Labor's inability to lead effectively in this period is rooted in its training during the years following World War II. During the expanding post-war period a social contract generally defined the role of organized labor: Capital would generally increase the real wages of labor, and labor would provide a stable workforce and keep out of the management of business. Because of this social contract, labor did not develop a sophisticated understanding of the companies and industries for which they worked. Such understanding wasn't required to gain increases in benefits in companies and industries that were generally stable or expanding. Many union leaders often didn't know the real market value of the labor they represented—they didn't need to know because they would get a raise anyhow. The debate between the Left and Right was frequently around "more" or "less," with no real difference in the depth of understanding of the company, the market or the industry. Tactics were geared for short battles where a favorable compromise could be worked out. Relatively quick resolutions of conflicts meant that strong allies among other sections of the people weren't essential. Strong relationships were not built among the various elements in the working community, the unemployed and unorganized, churches, community groups and local government.

Given this experience, the labor movement was unprepared for the depth of the current economic crisis. Unions were left without tactics or strategies that correspond effectively to the current climate. The level of unemployment is permanently high and is deeply undermining the strength of organized labor; it is being used to break strikes, force concessions, and undermine the integrity of unions. With the cutting of social programs, many of the unemployed are hungry and desperate and willing to break

ranks to replace workers on a picket line or to accept substandard wages and benefits. Benefits and important contract provisions that protect seniority in the jobs that remain are perceived as unfair by women, youth, Blacks, Hispanics and other minorities who have been laid off first and have no chance of being recalled. This leaves labor in an adversarial position with its most important allies at a time when it is under the most determined type of corporate attack.

Organized labor is becoming a smaller and smaller percentage of labor. The dwindling percentage of organized vs. unorganized occurred gradually during the post-war period. Now the decline is increasing along with the decline in real wages, and labor is losing its base when it needs it most. Under current conditions, a major loss in a major battle such as steel or auto could result in a decisive and qualitative set-back for organized labor. A union could be literally destroyed in today's circumstances.

This crisis requires innovation in the tactics of labor. Union organizing efforts must have a much more sophisticated and substantial understanding of economics in order to develop effective tactics and strategy. We must be willing to be creative and to experiment. We need to develop new approaches to struggle and new ways to reach out and consolidate the allies we potentially have in our society.

Worker Ownership as a Tactic

Worker ownership is a tactic that can and should be used by unions in confronting the new realities.

When the term "worker ownership" is used today, it can mean any of a thousand different combinations of how a company is financed and managed. On one end of the spectrum are corporate tax and financing strategies which are designed to neutralize worker solidarity, union strength and militance. These programs create the illusion of "profit sharing," give workers no real role in management, no power to make critical decisions, and very little share in the profits. Frequently, the only role workers have in this situation is to give concessions in wages and benefits to keep "their" company rolling.

On the other end of the "worker ownership" spectrum are companies that are worker-owned, worker-managed, unionized, and a real asset to the labor movement and the community. Examples include the O & O Supermarkets in Philadelphia, Franklin Forge in Michigan, Atlas Chain in Pennsylvania, and Seymour Specialty Wire in Connecticut. In America, these are very few examples, but the potential for many more exists.

Within these extremes, there are hundreds of possible combinations which are determined by the objective situation. Workers must ask who is initiating worker ownership and why, what leverage and plan do the workers have, how is worker authority and dignity protected and promoted, and so forth. Based on an evaluation of these factors, a plan for worker ownership should be rejected or supported. Where the plan is not developed, negotiations can give it substance. Effective and aggressive negotiators with some kind of leverage—the potential to close the company down, the capacity to strike or cripple production, a strong community backing—can transform a general concept into a constructive working plan. Uninformed and passive negotiators, with or without leverage, can transform even a good situation into a scam for the workers and, despite good intentions, end up benefiting only the original owners.

Worker ownership is a tactic not a strategy. It is just like any other tactic, such as a strike, a retreat, a picket line or a demonstration—it can be used effectively or not effectively. It is useful in some situations and not useful or counter-productive in other situations. Its effective use depends on the leadership that uses it and how it is used within a specific set of circumstances. Used effectively, it strengthens the union, its members and the labor movement.

Worker ownership is part of the general struggle for economic reform and is similar in certain respects to the many different kinds of reform struggles the workers' movement should and does support. Like any reform struggle, it can be consumed with narrow details. If elevated to more than what it is, it can perpetuate illusions. It can be co-opted. These are dangers for any struggle for reform. The demands on union leaders are similar to any of the day-to-day struggles on immediate issues faced by a union leader. Ninety-five percent of the grievances, complaints and problems you deal with are minor, petty and often flawed, yet your failure to take up those issues disqualifies you for the broader and more important struggles.

Pursuing the option of worker ownership exhausts the market place limits and can serve as a springboard for effectively raising consciousness about the necessity for national change and reform. It does this by taking advantage of viable opportunities that aren't recognized or aren't profitable enough for traditional entrepreneurs. The fact remains that worker- and community-owned enterprises combined with enterprises run by traditional parties won't meet all the needs of the American people. Worker ownership will not create full employment. On the other hand,

the experience of worker ownership will train the labor movement in facilitating workplace democracy and in developing effective leadership and management. These skills will profoundly complement any major progressive changes in the character of our economy.

The pre-condition for the effective use of worker ownership is a detailed and full understanding of the company, its markets and its industry. Worker ownership is not a good tactic when:

—proposed by a company as an effort to get the workers to finance the closing of a plant which has been milked dry and would have no viable future under any owner.

—proposed by a company as an effort to liquidate or neutralize the union.

—the company is not capable of surviving in the marketplace.

—the workers are not capable of running the plant.

Worker ownership is a tactic to consider when:

—there is a viable company that is being closed and that could be operated profitably.

—wage and benefit concessions are the only option to maintain a viable company. Worker ownership becomes the *quid pro quo* in bargaining with the company as the cost for cash.

—there is a viable company that is available for worker ownership for any reason.

Worker Ownership and Labor in a Declining Economy

Unions and the Unemployed.

Any discussion of the strategy and tactics of the working-class movement must include those who don't work as well as those who do. Even for those who do work, the threat of not working, the threat of a shutdown, frequently dominates and sets the stage for the demand for concessions. This means that we must take the issue of jobs very seriously to forge unity with the unemployed. We must also not remain satisfied with discussing the labor movement in terms of just those who are organized into unions, as Mike does. This excludes not only the unemployed but also the vast majority of those who are working but not in unions. In our struggle for unionized jobs with dignity, our program and leadership should explicitly and consistently prove itself in the broad concerns of all working people

The labor movement has generally failed in this challenge and still operates within the understanding of the earlier period of economic expansion. Even within organized shops, union members are losing confidence in the capacity of unions to

protect their jobs. That confidence can be sustained by leadership that has a very precise understanding of what actually causes job loss and what are legitimate options for preventing job loss. This message has to be delivered to those who are organized and working as well as to the unorganized and unemployed. Within this context, the option of worker ownership encourages a specific analysis of the potential for job loss, job retention and job creation; it identifies a tactical option for those situations where jobs could be saved or created; and it identifies a commitment to create jobs and fill the vacuum created by traditional market forces.

Are There More Than Crumbs?

Slott says that worker ownership has been and necessarily will continue to be restricted to the "crumbs" of the economy, the "financially troubled" companies that are thrown to workers to avoid the cost of their closing. Many of the efforts at worker ownership to this point have involved some of these crumbs, but this is not an inherent aspect of worker ownership. In MCLR's work on plant closings in Chicago and northwest Indiana, we have found companies closing for a variety of reasons. Some are exhausted and beyond recovery because of being completely milked or being in an industry sector that has been wiped out



because of competition, changes in technology, changes in critical costs or declines in market demand. Others close because:

—they are profitable but not profitable enough for a parent company or private investors who can make more in the short term in other areas.

—there isn't an owner to succeed the current owner. The family interest dies and there isn't a successor capable of taking over.

—mismanagement of a small or large company. The company is run by those who simply can't utilize its assets.

There is a common assumption that Mike perpetuates: that traditional capitalists are the most efficient and capable managers and initiators of companies and the means of production. If they don't do it, it can't be done. If they don't want to do it, it must not be worth anybody's time. In a declining economy, the narrow vision of traditional market forces often comes into conflict with the long-term needs and capacity of particular firms and industry sectors. We have company managers today who have experience crunching numbers and know how cash flows internationally but have no experience making a product. Or, the requirement of a big return in the short run excludes the possibility of experimenting with new technology or processes that are required for the health of an industry. Or we have managers, frequently in smaller companies, who can't or don't want to keep pace in a very competitive economy. Under the pressure of a declining economy, many valuable and productive assets, companies and opportunities for job creation simply fall through the cracks.

In this context, the ability and willingness to take over the management of productive capacity including owning and operating a particular company which is being ruined, ignored, or discarded by traditional market forces is an important complement to the other tactics the labor movement uses in defending its interests and expanding its power. It preserves jobs, union or potential union membership, and enhances the union's reputation for leadership capacity.

Again, so there is no confusion, this tactical approach is only that—*tactical*. To be effective it must be complemented by the use of the rest of the tactical arsenal of the labor movement, which includes organizing, the capacity to militantly negotiate and strike. It includes the capacity to destroy a company or shut it down. In these days this range of tactics, from the capacity to destroy to the capacity to run, immensely strengthens the labor movement in its battle for immediate objectives as well as for the support of public opinion—particularly when it's clear that the tactics are

based on a profound understanding of the situation and not a knee-jerk response to protect what was gained in another period.

MCLR recently did a feasibility study on converting a factory to worker ownership. We did so with the support and funds of the owners and the workers, and with the hesitant endorsement of the union. Worker ownership emerged as the only way to secure the financing required to keep the doors open. One condition for our work on this project was that the workers and union had the right of full access to the research we assembled. In the course of our evaluation, we discovered how grossly mismanaged the company had been. We also found that the company had the capacity to survive and profit beyond the expectations of its owners. This was not a "crumb," as Slott might have predicted, but a potentially viable plant which had been mismanaged. Based on a superficial understanding of the source of the company's problems, the union had earlier agreed to concessions in an effort to keep the place afloat. The concessions didn't save the jobs and only perpetuated the false assessment of the real problems. We concluded that there should not be a conversion to worker ownership. Our key reasons were rooted in the financial and legal entanglements of the owners which could easily sink the firm at any time. The final tally: one closed plant, one dead local, 50 lost jobs, six months of wages lost because of unnecessary concessions. Had the union local been more thorough in its own initial investigation, it could have developed an alternative course of action in worker ownership. It could have had real leverage in the negotiations, and it could have had the potential to sustain jobs and maintain the dignity of its contract.

Labor and the Broader Community.

A major reason for the labor movement to include worker ownership in its arsenal is to strengthen its ties with the aspirations of a much broader movement that is committed to job retention and job creation. This movement includes community organizations, urban political organizations, religious organizations, unemployed organizations, and others who are responding to the reality of very high levels of unemployment accompanied by the Reagan onslaught on the welfare state.

The labor movement can play a critical role in leading this effort because of its closeness to production, its familiarity with all the issues, and its strategic position. It can bring into negotiations a commitment to the social obligations of production to workers and the community; a defense of worker and union interests in the organization of production; and aggressively exhaust what

potential remains in a diverse market atmosphere. Labor, by utilizing the tactic of worker ownership at the proper times, can create a choice for the growing number of people becoming aware of the limits of capital, and it can provide some models of creativity and broadened social vision. To effectively choose the opportunities and to broadly expose how the narrowness of traditional market forces holds back our country's development, while demonstrating a willingness to fill the void when it is possible, can have a tremendous internal and external impact on the labor movement.

If the labor movement is aggressive in encouraging working people and organizations from working-class communities to take advantage of opportunities for worker ownership, even if the workers aren't initially organized, it can enhance its own organizing of the unorganized. It has a greater capacity than most to provide technical assistance and orientation as well as a national network that could service these efforts in important ways.

Additional Comments on Slott's Arguments

Harmonizing?

At the heart of Mike's analysis is a fear that any form of worker ownership will harmonize the relation between workers and "their employer." Mike says that a strategy should only be supported if it enables workers to fight their employers.

In the first place, workers often find themselves in conflict with a much broader range of forces than their single employer. They face the entire market place which thrives on the denial of their interests and which is dominated by the very large corporations and monopolies, the banks and financial institutions, and often the government. The lives of working people are dominated and controlled by these institutions. To see the central point of a strategy as the relation of workers to their single employer simplifies and obscures the objective situation and the strategic and tactical considerations that must be made.

In the real world, there are often contradictions between management of a local company and the corporate owners. There are conflicts between managers and investors, banks and financiers. In some of these situations, workers can find their interests with one side or the other and act effectively. We need to build a labor movement that is confident enough in its own leadership and sophistication to operate effectively within complicated arrangements.

From another angle, does worker ownership or participation in management always mean that workers will be "harmonizing"



with the boss? What does "harmonizing" mean anyhow? Mike perpetuates a superficial image which suggests that any time there isn't militant action against an employer there is capitulation to the interests of the employers at the workers' expense. From my experience in the labor movement, I have seen militant action but also militant posturing taking place when workers' interests were being intentionally given up. I have seen a strike called only to give the workers a chance to blow off steam so business could continue as usual. I have also experienced a negotiated peace that can allow a union local to strengthen its position in preparation for the time when no peace is possible. The key issue is not militant action or peaceful coexistence counterposed to each other. It's a question of recognizing when conditions require war or negotiated peace and cooperation under defined conditions. We need to understand the relation between each of these options.

Forever Vulnerable?

Mike also suggests that in a worker-owned situation companies will be forever vulnerable to finance capital. If they find the company a threat, they will crush it. If it is a success, they will

buy it. This simplistic approach seizes on an element of truth—the enormous power of the financing institutions and their willingness to exercise political leverage. Yet life is more complicated. There is a tremendous amount of unevenness and fragmentation of will among those who have political and economic power. There is also the emergence of progressive political and economic power and resources which should be tapped. If what Mike suggests is absolutely true, why is there any vestige of trade union or political rights? Why do progressive movements get funding from capital reserves that come from families who were notoriously repressive in other eras? There are a variety of contradictions in our society that the labor movement should skillfully take advantage of and leverage for its own benefit.

Had the company we evaluated for worker ownership conversion actually been established, our source of capital would have been drawn from a number of funds set up by churches and progressive bodies committed to the integrity of unions and the dignity of work. In our presentation to the workers, we in fact assured them that "Cardinal Bernadin was a different kind of lender than Mellon Bank." In the years to come, we can expect a growing base of institutions who will serve as resources on a small scale to seed efforts like worker ownership that have broad appeal. In situations where we have viable businesses and strong conscious leadership, we can go to traditional lending sources, granting the required material incentives to gain the resources we need.

The Chains of the Market.

There is the view that if workers engage in the ownership of a company, they must become blindly subservient to the pressures of the marketplace and transformed ideologically into "capitalists." There is no question that those pressures exist. In fact they are present in organized shops where workers don't have any part of ownership. There certainly are workers who deeply identify with forces that perpetuate their exploitation; there certainly are pressures in worker ownership that can confuse the identity of workers; and all these problems can be overcome only when large, national and conscious organizations lead workers in efforts at worker ownership rather than leaving them alone, isolated and without resources, as is done today. If the political and trade union organizations of workers provided leadership and guidance on the question of worker ownership, they could go a long way in helping workers maintain a healthy perspective as well as use the resources that are available to them to benefit the whole movement.

Worker Ownership & Industry Standards.

Mike and other union leaders are legitimately concerned with the impact of efforts at worker ownership on industry wage and benefit standards. Worker ownership begins with a wage investment in exchange for participation in management. This can take the form of wage cuts and can lower labor costs, which can be used by competitive companies as a lever to lower their own labor costs and contribute to a downward spiral for everyone. This is certainly a danger and underscores the importance of seeking worker ownership only in firms that are viable and capable of sustaining decent wages and benefits.

This dilemma frequently faces labor in this period of crisis and is not unique to situations involving worker ownership. Unions in worker-ownership situations must take this factor into consideration and must keep the interests of the whole in mind in their decisions regarding wages. On the other hand, worker-owned companies can set standards for worker rights, wages, and benefits that can exceed industry standards and serve as a model for the labor movement. A labor movement that supports worker-ownership efforts, rather than opposing or avoiding them, can expect reciprocal support and respect, and thus strengthen union solidarity.

Better Eminent Domain and Nationalization?

One of the final ironies of Mike's position is to suggest strategies such as eminent domain take-overs, nationalization, or control of pension funds as alternative strategies to worker ownership. As a tactic, worker ownership provides programmatic linkage of the rank and file to these other kinds of initiatives.

Do we call for exercising eminent domain and then turn the company back to the banks? Do we call for nationalization of steel and then see if Reagan can convince one of his industrialists to take charge in the "people's interest"? Do we fight for control of our pension money and then ask for Smith Barney to suggest an investment strategy? In all those strategies, there is the demand for public control and involvement in management. Those who value those strategies as key parts of our arsenal, as I do, know that our demands for the use of these options must include specific proposals for their implementation that insures worker authority and control. This requires a dramatic increase in the sophistication of the labor movement to make sure that those decisions would, in fact, be in the interest of workers and communities. Worker ownership should not be counterposed to those options but seen in relation to them. Worker ownership on a micro-level prepares

us, ideologically and practically, for the difficulties of large-scale projects. Those options are completely consistent with the defense of worker ownership as a tactical option for the labor movement.

Conclusion

There are several key points which emerged in this exchange on worker ownership and deserve to be tested in the reality of the complicated struggles that are emerging in industrial America.

First, despite the numerous negative examples that exist, worker ownership belongs in the tool box of the labor movement as one option among many to pursue in its efforts to defend the interests of those who work and the unemployed. It's a tactic that in some situations meets the issues of job loss and capital flight head on.

The effective use of worker ownership can strengthen labor's role among the unorganized, the unemployed, and in society in general by helping to fill the political and economic vacuum created by traditional market forces.

Finally, use of this tactic will immensely broaden the scope of the labor movement, deepen its level of sophistication, and train it for leadership in the critically important trend towards economic reform and democracy.

Worker ownership is a concept and an option that we can no longer afford to avoid. To be willing to rise to the challenge of this and other new approaches like the use of eminent domain, nationalization, popular control of investment funds and others will bring the labor movement into a position of prestige and strength that will exceed that of earlier periods in American history. ♦



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