

A PRIMER ON THE ECONOMY

# How We Can Bring Back Quality: Sharing a Piece of the Action

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by Marjorie Boyd

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For some time now, the unlikely topic of work has been among the subjects which have most occupied journalists. A deluge of words has poured forth exploring not only the dissatisfaction of the blue-collar worker, but the sterility of life on the office "paper assembly line." Since the work ethic is tattooed on American brains, unhappiness with work often manifests itself tragically, in moody withdrawal from family and friends, alcoholism, mental illness, and drug addiction. It is widely reported that the principal villain in all this misery is a system which carries assembly-line organization to an absurd extreme, withering the self-esteem that comes from pride in work.

Most of these articles on work have concentrated on the problem, but

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some have begun to include descriptions of one solution: worker participation plans, which allow workers a voice in how their work is organized, coupled with profit-sharing plans tied to increases in productivity (output per man-hour) making the employees, in a sense, partners in the business. Innovative work schemes have turned some forms of labor from wage slavery into more humane arrangements in the few places where they have been introduced. But the very success of these experiments increases the frustration of those who have attempted to extend worker participation plans to much larger portions of industry.

The experience of some of the nation's longest-running worker participation plans may finally provide the answer as to how the plans can be sold to reluctant management. For the evidence shows that not only

does worker participation improve the dignity and excitement of the employee's task, but it also can greatly improve his productivity.

Most businessmen have known for years, from the results of various experiments and from their own experiences, that the key to increasing productivity is the individual worker's attitude. And they have been aware of what the malaise of worker dissatisfaction does to the quality of products. As Saab Motors put it, in an ad showing smiling Swedish workers who build cars in teams rather than on assembly lines, "Bored People Build Bad Cars." Businessmen have also known that workers can achieve extraordinary productivity increases by finding ways to do their jobs better or faster or cheaper. Often the worker is the one most likely to think of a "better way," because he is most familiar with the details of the manufacturing process. Studies have shown conclusively that when workers are given the incentive of profit-sharing, combined with encouragement to offer their own ideas about the way their work can be done faster and better, they quickly unleash stores of energy and creativity.

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### A Piece Of the Action

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If worker participation promises more satisfied workers earning more money, better products, and higher profits, why didn't business pounce on the idea long ago? The answers are both numerous and obvious. The crusty bureaucratic structure of a large corporation is naturally unfriendly to any idea involving such disruption in the comfortable day-to-day life of management. And of course, profit-sharing means problems with the stockholders, and changes in the manufacturing process often involve initial capital outlays. But perhaps the biggest obstacle to worker participation has been its requirement that workers be allowed to have a voice in the way things are done, which means that management must

give up some of its own power and prerogatives, going against a law of nature. It's worth mentioning, too, that public support for productivity has not been overwhelming. A Gallup poll shows that 56 per cent of workers admit they could produce more, while a Harris survey reveals that a majority of Americans see no reason for increasing productivity, since it would only mean more money for greedy stockholders.

Moreover, through most of the past three decades there has been little pressure on business to consider such revolutionary change in order to increase productivity. Our economy has seemed invincible, our inflation manageable, and our natural resources abundant. Foreign businessmen lagged behind us in technology and marketing techniques, and American business was king.

Although few would argue that American business is no longer king, it is generally acknowledged that several would-be successors are gathering at the foot of the throne. Some of our industries are frightened. The shoe industry has been all but wiped out by imports; steel and textiles are being



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hard pressed by the newly aggressive foreigners (prompting U. S. Steel to begin a saturation campaign of TV ads about productivity); and the auto makers are starting to stumble. Not surprisingly, it is in these frightened industries that a growing interest in worker participation can be discerned, where talk is heard of a "new relationship" between management and workers and of a "piece of the action"

for workers.

Richard Gerstenberg, chairman of the board of General Motors, recently put his imprimatur on the "drastic change is now necessary" school of thought:

Productivity is not a matter of making employees work longer or harder. . . . We must improve working conditions and take out the boredom from routine jobs. . . . We must increase an employee's satisfaction



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with his job, heighten pride of workmanship and, as far as is feasible, involve the employee personally in decisions that relate directly to his job.

Experimentation in worker participation has been going on outside the frightened industries as well, but most of it has been of a piecemeal nature. Polaroid, Sears Roebuck, Kaiser Aluminum, and Eastman Kodak have introduced profit-sharing plans without adopting the other tenets of worker participation, while AT&T, Monsanto, Bankers Trust, and Travelers Insurance have experimented with abandoning their assembly-line approach to office and factory and with giving workers a voice in management, but have eschewed profit-sharing.

Some other large corporations are sticking their toes in the worker participation water by instituting flexible-hour plans in which the workers set, within reason, their own eight-hour work periods. This allows for trips to the bank, doctor, or dentist, all of which in the past meant time lost from work and money lost to the time-clocked worker, as well as uncomfortable encounters with super-

visors. A small change, but one which removes a large irritation from the lives of many. It also encourages workers to think of their jobs in terms of tasks to complete rather than hours spent in a certain place. This minor change has decreased absenteeism and resulted in increases in productivity from one to five per cent.

The only companies that have given complete worker participation plans a real trial are several small and medium-sized companies scattered around the country. (It's no surprise that the smaller firms have given the plans their start. A worker is a lot more likely to see the results of his extra effort in a larger profit-sharing bonus if he works in a 500-man plant than if he's part of General Motors.) Their successes cannot be written off as short-term wonders, since most adopted the plans 20 or 30 years ago. And now, large corporations, attracted by the astonishing productivity records of these smaller companies, are studying the way they work.

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### 'U and I Make Quality'

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The Lincoln Electric Company in Cleveland, Ohio, instituted a system of worker participation and profit-sharing nearly 40 years ago. After deductions for taxes, reserves, and stockholder dividends of six per cent, all the remaining profits are distributed to the employees. In 1969, \$16.5 million was divided among Lincoln's 1,900 workers, distributing approximately \$8,000 to each employee. This doubled many workers' yearly earnings. Most amazing, Lincoln's welding machines and electrodes are still sold at 1934 prices—the year when the first profit-sharing bonus was paid—while labor, copper, steel, and other inputs have risen by 200 to 600 per cent over the same period. Lincoln's prices have been held steady by the extraordinary efforts of its employees both to produce more individually and to find ways to improve the manufacturing process so that overall costs have not

risen.

Donnelly Mirrors, a medium-sized company in Michigan, instituted a plan in the early 1950s in which workers participate in both management and profit-sharing. Donnelly has doubled its productivity since 1952 and lowered its prices. The key word at Donnelly is creativity. All the workers are encouraged to think of creative changes. Last year, one Donnelly employee figured out a way to eliminate an entire process, thereby saving an enormous amount of money and abolishing 18 jobs including his own. The 18 workers were immediately given comparable or better jobs in the subsequent expansion. Contrast this with the many workers who spend most of their time protecting their own small bailiwicks. In another case at Donnelly, a maintenance man invented a machine for beveling mirror edges, a machine that costs only \$290 instead of the \$900 for the machine Donnelly had been using.

If profit-sharing is the carrot of worker participation, then the pressure the workers exert on one another is the stick. Recently Donnelly employees voted to eliminate time clocks, a move that could have resulted in a sharp increase in operating costs because it also required full pay for absent workers. But the employees understood all the possible ramifications of their action, and in order to preserve the size of their profit-sharing bonuses, they managed to decrease their rates of both absenteeism and tardiness. (Even though all employees were on straight salaries, Donnelly did keep records, as they do on all experiments. They showed that after the time clocks were taken out absenteeism dropped from five per cent to 1.5 per cent and tardiness from six per cent to one per cent.)

The American Velvet Company of Stonington, Connecticut, instituted a worker participation plan more than 30 years ago. Every year 27 per cent of company profits before taxes goes to the workers (this came to some \$900 per worker last year). Productiv-

ity and profits are way up at American Velvet, and this in an industry where labor trouble and foreign competition have bankrupted many other companies. American Velvet has not had a labor dispute since it adopted a worker participation system; representatives of the worker force and management sit down together at daily meetings to open the mail and discuss purchasing, sales orders, new equipment, and personnel problems. And the company books are open to all.

In Orange, Virginia, the American Velvet Company has just opened a subsidiary plant run on the same worker participation principles as its parent company. It is a new, well-lit, clean, air-conditioned plant. Intent men and women tend the large looms working in rooms where the noise is ear-splitting, but the workers wear comfortable-looking ear plugs, something like those used with a dictaphone transcription machine. A large banner across the ceiling reads: "It Takes U and I to Make Quality."

I talked with Harold Main, vice president of American Velvet, a lean and affable New Englander, who has been with the company for 25 years.

"Came right out of college. It was the luckiest thing that ever happened to me." Main talked on enthusiastically about his company's program.

"We pay the highest wages in the industry. Profit-sharing is no substitute for good wages.

"Another thing we believe in is the latest in equipment and machinery. You can't save any money by using old equipment. The two things you have to have are highly motivated workers and the latest in equipment, because you can be sure the foreign competition has them."

The world demand for velvet has been high in the past five years and American Velvet is doing well in the international market. (They have opened a plant in England.) Executives of much larger corporations have been descending on American Velvet in swarms, as if it were a health spa

whose waters could rejuvenate their sagging sales figures.

"Last week we had a group from Procter & Gamble," Main continued cheerfully. "What we stress is that every single worker is vitally important to your operation. You can't run a plant without a man to sweep the floor, and if he likes his job and shares in the company's profits, he will not only sweep the floor well but will tell you about a better and cheaper broom, if he knows of one."

I asked Main how a large corporation like, say, General Motors, could go about setting up a worker participation plan.

"Well, they would have to do it on



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a plant by plant basis. It would involve considerable decentralization. We tell all these businessmen that the most important thing is trust. Any problem can be solved if you are open and honest with your employees and they trust you."

Main and I exchanged smiles at the prospect of G M breaking itself up into small units and becoming completely honest and open. Still, it is a fact that G M executives are now busily studying the setup at Donnelly Mirrors with an eye to adapting it to their super-corporation. (Displaying considerable elan, Donnelly is charging G M for the privilege.) G M must be somewhat impressed with what it has learned, because it recently announced that henceforth it will buy all its mirrors from Donnelly.

American Velvet's Main was emphatic about the importance of trust in reforming factory life. "Build-

ing trust—it can't be done overnight. This trust took years to build. Why, I'm sure that after 30 years, we still have a few employees who don't completely trust management."

Hostilities between workers and management have always been intense in this country and have been accepted as an inescapable fact of industrialized life. But the wisdom of this acceptance is called into question by the experiences of other countries more innovative in their industrial relations.

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### How the Foreigners Do It

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To take one notable success story: soon after World War II, West Germany passed laws making a form of worker participation in business mandatory. The laws have been strengthened and expanded in recent years. Workers now hold one third of the seats on most corporate boards of directors. In two major industries, steel and coal, the corporate boards are made up of equal numbers of workers and stockholders, plus one "neutral" member (usually a clergyman or college professor or some respected figure trusted by both sides). This degree of power has helped German workers become the best paid in the world; "contented" has become a cliché in descriptions of them, as has "phenomenal" in describing their productivity. While the traditional industriousness of the Germans is no doubt partly responsible for this success, their system, which gives a degree of power and recognition to workers, must also be given at least a share of the credit.

The Japanese industrial organization is far different from the German, but it too contains elements of worker participation. Japan was a late developer industrially and thus had the benefit of the experiences of other countries. By picking and choosing ideas and adding them to their own customs, the Japanese have concocted an extremely complex system, but one which certainly seems to work

well for them.

Perhaps because of their Confucian heritage and its stress on public reputation and "face," Japanese industrialists customarily have been generous with their employees. Since they have long been recognized as among the world's most astute businessmen, greatly concerned with profits, we can safely assume that they also believe a humane system contributes to efficiency.

Large Japanese corporations resemble communities. They provide housing for their employees at low rentals—a housing park for married couples and hostels for unmarried men and women workers. At the age of 45 or so a worker usually buys his own home, and the loan (at low interest rates) usually comes from the company. The firms also provide scholarships and loans for the education of their employees' children, and they maintain dormitories in Tokyo where the offspring can live for free while studying at the universities. Most companies not only pay a percentage of employees' insurance premiums and contribute to pension funds, but also build and maintain for their employees' use such facilities as gymnasiums, swimming pools, athletic stadiums, tennis courts, and concert halls. A few large Japanese corporations even publish literary magazines for their more cultured employees.

Most industrial work in Japan is performed in teams of 15 or so workers led by a foreman who is a union member and works along with his team. So, unlike foremen in other countries, he does not always appear in the role of management lackey, passing along orders from "them" to "us." The workers are encouraged to offer opinions about their work; since the Japanese seem to prefer written communication, each worker is required to keep a log book of complaints or problems along with suggestions he may have for improving design or methods of assembly. The foreman reads the log books periodically and talks them over with all the

team members. They in turn make joint decisions as to which suggestions or complaints are worthy of being passed along to management. Most Japanese factories do not have time clocks and assume everyone is present and on time unless some prior arrange-



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ment for absence or lateness has been made.

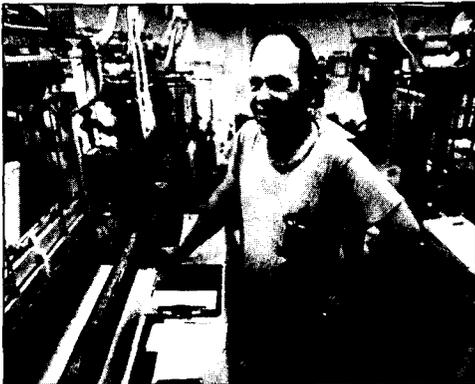
Japanese unions are company unions, and thus count everyone but top management as members. The unions negotiate wage increases and related questions much as American unions do, but because of a Japanese law which requires publication twice yearly of the most intimate details of every company's balance sheet and profit statement, the unions are able to keep their demands quite closely attuned to what the traffic will bear. Strikes are nearly extinct in Japan. When they do occur, they are largely ceremonial affairs which last no longer than 48 hours.

What most foreign visitors notice first about Japanese factories is the absence of class tensions so prevalent in other countries. Workers and management work the same hours. All receive a month of sick pay yearly. Their vacations and pensions are dependent upon seniority, not rank. Everyone wears a uniform, usually a blue denim coverall and a helmet. The only indication of rank is various color stripes on the helmets. There is no executive washroom; only one canteen is used by all.

Of course, all this organized togetherness and civility would be suffocating for many Americans.

Many of these ideas probably would no more be adaptable to our highly individualistic, boisterous, and probably more creative work force than most of us would want to rise at dawn and stand naked under a waterfall and recite poetry, as the Japanese are fond of doing. But while we are different, we are also alike, and there is no question that the Japanese have overcome many of the problems that plague us. For example, Japanese industrialists have devised hundreds of ways to disburse prestige and nourish the self-esteem of their workers. They do so because they believe it is right, but also because they know it contributes to efficiency. American executives have hoarded all symbols of status for themselves and have come up with a system that is sometimes inefficient and often degrading.

John DeLorean, a former president of Chevrolet, told *Fortune* that he believes many bad judgments made by GM executives can be traced to the way they have separated themselves and their everyday lives from the problems of the real world. "You travel like an oil sheik. . . any officer can fly in one of the corporation's 18 private planes. When he lands, new cars whisk him and his retinue into town. Before he arrives at the hotel, a public relations man checks out his



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suite to make certain, among other things, that flowers are in place."

And a Chicago steelworker recently told Studs Terkel, "A mule, an old mule, that's the way I feel. . . . You know what I heard from more than one guy at work? 'If my kid

wants to work in a factory, I am going to kick the hell out of him.' "

I talked with C. R. Brown, American vice president and general manager of Mazda Motors, about the differences in the Japanese and American systems.

"Japanese workers are certainly not superior to American workers. The American worker has more ability to think and act independently. The reason for the Japanese worker's higher productivity is the fact that he receives recognition for his work. The system is different. American business just doesn't seem to understand that workers need recognition."

While Japanese union representatives serve with members of management on joint productivity councils which meet twice monthly, the U. S. labor leaders I spoke with believe productivity is management's problem alone. Technically, of course, they are right. But the power held by unions in the industrial equation makes it difficult for them to maintain a completely neutral position on any question involving work. And economists who study productivity problems are concerned that many union practices are undermining productivity. The practice most frequently mentioned concerns "union work rules." These are rules sought by unions ostensibly to protect the job security of workers.

The practice became widespread in the 1950s, back when the experts were predicting that it would be only a matter of time until we were all replaced by machines. Most of these fears have turned out to be exaggerated; experience indicates that in the long run automation actually increases the number of jobs, both for computer programmers and lower level workers, because it greatly increases productivity and allows for expansion. But it is impossible for the worker who loses his job to a machine to take the long view, and his situation evokes strong sympathy from all fellow humans who feel vaguely threatened by mechanization. Perhaps understandably, the unions have taken full

advantage of this situation. Some union work rules limit the use of labor-saving machines, others put limits on an individual worker's output, while others require that a certain type of worker be present when a certain type of machine is used. This can mean that a workman receives a full day's pay for standing around, his only contribution to the national economy and his company's performance being to flip a switch on in the morning and off in the afternoon. The rules may even require that the switch-flipper have a highly paid assistant. Electricians are paid to watch burning lights, plumbers are paid to watch pipes, etc. Other rules make it nearly impossible to fire a lazy, incompetent, or drunken employee. Employers agree to the rules because they want to avoid strikes and other labor troubles and because they know they can pass the extra costs along to the public.

Most politicians, needing labor support and campaign contributions, not only refuse to speak out against union work rules, but even try to have them put on the law books. An example is a "health" bill introduced every year for the last 10 years in the New York legislature and once only narrowly defeated by an intensive lobbying effort of building contractors. The bill would require all employers at construction sites to have a licensed plumber on the premises both before work starts in the morning and after work stops in the evening (at overtime pay) to check the toilets to make sure that they have all been flushed.

Until recently, knowledge of how the rules operated and of the overall extent of their abuse was difficult to obtain. Last year, *Engineering News-Record*, a respected engineering journal, came out with an extensive survey of the union work rules in the construction industry. It concluded that 40 per cent of every construction payroll dollar is wasted because of the union rules. Even if that figure turns out to be inexact, it indicates the trend.

"What you have is a union elite which is perpetuating itself," says Ralph Nader. "But the interesting question to me is where are all the Republican senators who used to speak out for the companies and attack the unions? Their silence can only mean that the companies don't really mind so much what is going on because they are in collusion with the unions in many cases. The unions help them with all sorts of things, so they don't mind the union excesses, and of course, the public is paying the bill anyway."

Worker participation, in addition to its already stated advantages, would probably help reduce the union's stake in such outlandish featherbedding; workers participating in profit-sharing plans tied to productivity increases would see the advantage in using their newly acquired power to put a stop to practices which are so clearly hurting productivity.

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#### Back to Adam

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Up to now, leaders of organized labor have been less than enthusiastic about worker participation plans. Leonard Woodcock of the United Auto Workers has called the idea "elitist" and a young auto worker reports an argument with Woodcock over the boredom question: "I told Woodcock that if he had to answer the phone every 32 seconds and say the same thing, he'd understand."

I talked with Jack Sessions at the national AFL-CIO headquarters, a venerable gentleman, full of charm, who quoted Shaw as he expressed disdain for the "intellectuals." When I asked him how his boss, George Meany, feels about worker participation, he answered:

"We have no official position. Let's put it this way, we are skeptical. There is the feeling here that work has always been boring and hard and that the university professors are more worried about it than the workers. And we believe there is a lot of 19th-century romanticism in these

ideas. But we are watching developments in the area closely. The important thing is that the unions be included in these experiments."

There is a common theme and an ambivalence running through these statements. There is no problem. But they are not exactly opposed to looking for a solution. Most of all, they want to be included. When I told Jack Sessions of the AFL-CIO about the efforts of workers at the American Velvet Company to increase productivity, he seemed interested and impressed, but he countered immediately with a story about an almost bankrupt factory in Miami which the union local took over, reorganized, and turned into a thriving business. The distinction was very important to him—the *union*, not the workers. So, this is where the rub comes. It is obvious that any program which brings workers and management together in a joint endeavor will weaken the union hierarchy. Today workers and management have little contact with one another except through the unions. Worker participation plans would start to break down the wall between the two, and the immense power of some union officials would crumble along with it.

The potential for irony in the present situation is great. What if American business, in a desperate effort to keep pace with foreign competition, improves the lot of workers in a way never even contemplated by the unions? And what if corporations find that in order to motivate workers they must share their profits and open up their policy-making decisions, something the federal trust-busters and regulators have sought unsuccessfully for years? And if workers and management do develop even a degree of mutual trust, it can only have the effect of forcing the unions to abandon some of their more outrageous abuses, abuses which Taft-Hartley and Landrum-Griffin have been unable to curb. Maybe it will turn out that Adam Smith was right about some things.

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# Tidbits and Outrages

Just the way Barry Goldwater thought it would turn out:



WELFARE EMPLOYEE Marilyn Casdorph exchanges greetings with a friend from the drive-in service window recently installed by the State Department of Welfare for food stamp recipients. It is located at Lewis and Morris streets. (Gazette Photo by Leo Chabot)

—from The Charleston Gazette

## Try a U-2

President Nixon's genius for evading taxes has been the subject of considerable comment recently. But somehow our favorite example got buried in the back pages of the few papers that ran it:

MIAMI, Dec. 24 (UPI)—Tax assessments on President Nixon's Key Biscayne compound have been made for the last five years without assessors being allowed to have a look at the property, Dade County tax assessor A. H. Blake, Jr. said today.

Secret Service agents, citing security reasons, have refused to allow the taxmen inside the closely-guarded complex overlooking Biscayne Bay, Blake said.

In 1970, he said, two Air Force jets forced down a chartered county plane taking aerial photos of the area and agents later blacked out portions of the film showing the complex. According to Blake, tax assessments on the presidential homes are made on the basis of land values and building permits. Blake said that he had to depend on the word of the President's aides on any taxable improvements not covered by building permits.

"I guess you can say it's on the honor system, but when the Secret Service says 'no' you just don't argue," Blake said.

## First Things First

Presidential Assistant Richard Moore—whose performance as a pitiful old man was the White House's finest moment at the Watergate hearings—has now provided us a further look at Administration psychology. He gave The Washington *Star-News* this explanation for the President's failure to make charitable contributions:

... he was under so much pressure being President. The year he gave \$295, for example. That was the year of the Christmas bombing of Vietnam. He just didn't have time to think of charity.

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