

## Worker Democracy and Worker Productivity

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*A major source of oppression in industrial and post-industrial society is the restrictive and highly authoritarian nature of the workplace. One response is to democratize the workplace by increasing the participation of workers in making decisions and in choosing and evaluating managers as well as sharing in the ownership of the firm. These are not new ideas, and there are many examples of organizations pursuing various forms of democratic practices. However, a major objection is that such participation would compromise economic and other types of organizational productivity. This article examines the empirical support for that argument over a wide range of types of organizations in which workers participate in important decisions affecting their welfare. The overall results of this survey across many different forms of work organization suggest that the evidence supports the opposite conclusion, that worker participation increases productivity, particularly when workers share the benefits of higher productivity. The challenge is to ascertain ways of spreading these practices more widely.*

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For many people, working life is a source of oppression that undermines the human spirit. In addition, work experience and rewards can be highly inequitable among persons of different race, gender, and individual merit. For me this theme is a personal one. I am of the generation that marched for Civil Rights, championed the War on Poverty, and opposed vehemently the Vietnamese debacle. These experiences shifted my academic pursuits towards the quest for greater democracy in daily life, and particularly in the workplace and school. Thirty-five years ago I began the study of democratic organizations and, particularly, the living laboratory of cooperatives, collectives, study groups, and communes, that had emerged in

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the seventies. Most of these groups had one common requirement, that of deep participation by their members in community endeavors, whether the goals were spiritual, economic, political, or experimental living.

Deeply influenced by and involved in these trends in the San Francisco Bay Area, I began to study worker cooperatives and other forms of worker participation with my colleagues. After a long period of immersion and analysis, this commitment resulted in two books, one on worker cooperatives (Jackall and Levin, 1984) and one on the conflicts between capitalism and democracy and their influence on education (Carnoy and Levin, 1985). Intrinsic to both was a common theme, how greater democracy could be incorporated into work organizations and schools—a democracy based upon active participation of worker-citizens and student-citizens and the establishment of greater citizen-rights in both types of organizations.

Anyone who addresses this subject is confronted with a fundamental conflict that is intrinsic to a democratic and capitalist society. An ideal democracy stands for a society in which people can express their views freely and join with others who seek to implement change or reinforce the status quo. Participation is both encouraged and protected by a well-defined set of democratic rights, obligations, and protections. In contrast, the conventional workplace, whether privately owned or government-sponsored, is governed by an authoritarian regime in which the rights of workers are derogated to the formal and informal rules and practices of those who own and manage the workplace. The prerogatives of private or government property and the law of contracts replace most political rights, including those guaranteed by state and federal constitutions as part of a contractual arrangement in which workers accept the hegemony of those who govern their employment. In exchange for the privilege of work and income, workers relinquish their basic political rights such as freedom of speech and association and the ability by the governed to select who will oversee their entity.

Thus, workers live in two opposing worlds, a democratic one and an authoritarian one. A merging of these worlds could occur partially or fully if democratic rights were conferred upon workers so that they participated in the decisions affecting their working lives. That is, if workers owned and managed their own workplaces as is the case with worker cooperatives, their citizen and political rights would not end abruptly when crossing the boundary of employment. A major objection is that if workers had greater power in the workplace, economic productivity would suffer and the standard of living would fall. That is, we would be a poorer society if democracy were to spread to the workplace. I will not comment on the wasteful consumption and ecological destruction ignored by this conventional view that measures of per-capita income are appropriate measures of social wellbeing. Instead I will address the issue of whether democracy in work organizations would necessarily reduce productivity as many believe. The bulk of this paper will address that issue and show that in a variety of organizations the empirical research has shown that the opposite would occur. But, before proceeding

to these cases, I want to address three imperatives, moral, political, and economic. It is the economic that I will ultimately focus on.

## MORAL, POLITICAL, AND ECONOMIC ISSUES

The case for workers participating in decisions affecting their working lives can be made in several ways. For me, the most important are the moral issues.

### Moral Issues

Work occupies a major portion of our lives and molds our personalities in ways that extend into family lives and childrearing (Levin, 1984). Marx's critique is considered to be the most elemental. Marx describes how workers sell their labor power to capitalists who must find a way to obtain as much work from that reservoir of labor power in order to maximize profit and further capital accumulation. The labor process and its outcome are beyond the control of the worker, a condition that Marx termed "alienation." The basic construct of Marxist alienation is that the labor is external to the worker and is not used directly to meet the worker's needs to be productive, creative, or useful (Marx, 1964). Note that this concept is different than the conventional psychological use of the term alienation since it characterizes an objective condition of the workplace, although workers may feel alienated in the psychological sense as well. It is a denial of worker agency.

Marx argued that this relation derogates the humanity of laborers to an animal existence in which only such elemental functions as eating, drinking, and procreation are placed under their control. For Marx the moral imperative was for workers to gain ownership of the means of production, in order to control for themselves the process and product of their work activities. But, this concern of worker alienation was not just Marxian. Adam Smith, the father of modern capitalism expressed a similar concern, even though he extolled capitalist production for its high rates of productivity, using a fine division of labor in which each worker performed the same task repetitively. Although Smith celebrated the gains in economic productivity of such an enterprise, he decried the human toll:

... the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become (Smith, 1937: 734).

Max Weber, too, advocated bureaucratic operation of large scale enterprises with centralized power and authority. But, he too saw the personal sacrifice

necessary for efficiency. He asserted that the effectiveness of bureaucracy is accomplished most fully “. . . the more bureaucracy “depersonalizes” itself, i.e., the more completely it succeeds in achieving the exclusion of love, hatred, and every purely personal, especially irrational and incalculable, feeling from the execution of official tasks” (Weber, 1964).

Marx, Smith, and Weber recognized the injurious effects on the human condition of such a work regimen. In response, Erich Fromm has argued eloquently for a society that:

Stimulates and furthers the growth and aliveness of man rather than cripples it; that . . . activates the individual rather than making him passive and receptive; [whose] technological capacities serve man's growth. If this is to be, we must regain control over the economic and social system; man's will guided by his reason, and by his wish for optimal aliveness, must make the decisions [gendered language in original] (Fromm, 1968: 101).

This perspective suggests workplaces that make it possible for workers to participate in the decisions that determine the conditions of their work and their work activities, the establishment of workplace democracy. What forms this might take are discussed below.

### **Political Issues**

When workers are prevented from exercising agency in the workplace and other institutions in their daily lives, they are less likely to participate actively as citizens in the political sphere according to Carole Pateman (1970). Her influential work focuses on two related themes. First, she argues that in the post-World War II period, democratic theory emphasized “choice of leaders” rather than direct participation. Mass political participation was viewed as dangerous because it could lead to the rule of the rabble, anarchy, instability, and, ultimately, authoritarian control. In contrast, earlier democratic theorists such as J. J. Rousseau, J. S. Mill, and G.D.H. Cole emphasized the central role of widespread participation. For example, Cole emphasized the centrality of the “interrelationship and connection between individuals, their qualities and psychological characteristics, and types of institutions; the assertion that responsible social and political action depends largely on the sort of institutions within which the individual has, politically, to act” (Cole, 1920 as cited in Pateman, 1970). Participatory institutions have an educative function that reinforces the legitimacy and practice of political participation in other spheres. This function is absent if individuals’ daily experiences are simply forged as an appendage to a system of production or organization that is impervious to the input of the worker. The lack of personal agency contributes to a syndrome of generic powerlessness that spills over into other political arenas and works against political participation of any sort. Putnam (2000) has raised these issues in a larger context of decline of overall participation in post-modern society.

Pateman's second main theme addresses the possibilities of building political efficacy through workplace democracy. In doing this she cites works that found a positive relation between political efficacy and opportunities to participate in workplace decisions (e.g. Almond and Verba, 1963). More recent studies show that the forms and context of workplace participation are important determinants of their relationship to political participation (Greenberg *et al.*, 1996; Schur, 2003). Even the fact of employment of an individual has been found to increase political activities by more than one-third (Schur, 2003). After extensive discussions of the earlier empirical findings and examples of industrial participation in capitalist countries, Pateman called for a participatory society in which an extension of participation to the workplace is at its heart. She concludes that such a transformation will increase the sense of political efficacy and democratic participation, in comparison with a representative democracy. A more recent and forceful thesis in this genre is found in Bachrach and Botwinick (1992).

### Economic Issues

Any move to greater worker participation in most capitalist societies must gain the approval of capital and its managers. The rights of private property in such countries as the U.S. and Britain largely preclude state incursions on how that property will be used for production, generally, and the employment of labor, specifically. Exceptions are found in Sweden and West Germany, where labor interests (at least in the past) have exerted powerful influences on electoral politics, resulting in the creation of national legislation that requires worker participation (Bachrach and Botwinick, 1992: Chapter 4).

Mainstream economists have been dubious that worker participation can increase productivity. Quite the opposite, they argue that workers would act to decrease their own effort in the absence of authoritarian control. Stiglitz (1975) has even argued that it is in the interest of workers to accept such control, though they may be personally resentful, because it reduces individual shirking, creating higher income for all workers by raising productivity for the firm.<sup>2</sup> This is known as the "free-rider" problem in economics (Alchian and Demsetz, 1972). But, if workers have a common interest in the productive enterprise and adequate incentives to obtain high productivity, they will tend to monitor and reinforce the efforts of each other, a far more natural solution that is less costly and more effective than having external supervision (Bonin and Putterman, 2002).

As I will demonstrate below, worker participation is heavily associated with higher productivity in a wide variety of work settings. But, there are a number

<sup>2</sup>However, in subsequent publications Stiglitz has seemed to change his mind and acknowledged that worker involvement (and ownership) are likely to result in higher productivity. For example, see the World Bank conference presentation by Stiglitz, "Labor Participation and the East Asian Crisis," <http://idep.kdi.re.kr/conference/paper/download.htm>

of issues that make this less than a simple matter. One can best understand these if one asks why participation increases worker productivity. Certainly, not all forms of worker participation will necessarily increase productivity. For example, it is very common in the U.S. to provide “cosmetic” forms of participation such as suggestion boxes or discussion groups that do not provide any obvious changes in the work setting. In other cases there are few incentives to participate because gains are not shared with workers. There is widespread agreement that the most effective systems of worker participation provide worker voice in meaningful decisions as well as sharing of the benefits of any resulting improvement in productivity and financial results. Employee ownership in conjunction with participation has been found to be particularly effective in increasing productivity and profitability, and there may be intrinsic incentives attached to worker decision-making in such settings (National Center for Employee Ownership, 2004).

The scope of decision-making is also important. The most extensive systems include worker input into the hiring of managers and co-workers; definition, assignment, and rotation of work roles; training responsibilities; scheduling of production; and decisions regarding purchases of equipment and design of work systems (Batt and Appelbaum, 1995; Levine, 1995; Nalbantian, 1987; Weitzman and Kruse, 1990). The literature also suggests that the particular forms of worker participation that are most effective vary from industry-to-industry, depending upon the product, service, and nature of production. Thus it is not surprising that a major attempt to explore the statistical relation between work practices and productivity finds an inconsistent relation; the study is also flawed by a lack of measures of capital in the production process and other weaknesses of reliance on survey data for assessing productivity results (Cappelli and Neumark, 2001).

## **PARTICIPATION AND ECONOMIC PRODUCTIVITY**

As we have noted, beyond the moral and political arguments for increasing worker participation in their daily working lives, there is the potential attraction of higher productivity. In this section I would like to show how universal this finding is by referring to widely different applications of workplace democracy and their economic impacts.

### **Automobile Manufacture**

One of the earliest examples in the U.S. of the application of worker democracy to modern manufacturing is that of the New United Motor Manufacturing, Inc., (Brown Reich 1989) or NUMMI ([www.nummi.com](http://www.nummi.com)). The NUMMI plant in Fremont, California is a joint venture between Toyota and General Motors and manufactures about 400,000 vehicles a year including the Toyota Corolla and the Toyota Tacoma pickup truck. It also manufactures a right-hand drive automobile

for the Japanese market. The former GM plant in Fremont had been closed in 1982 because of poor product quality, low productivity, and high rates of worker absenteeism and alcohol and drug use. It was ranked at the bottom of GM plants in productivity and had absentee rates of over 20% and a backlog of more than a thousand grievances.

Toyota redesigned the plant completely, and, by agreement with the United Auto Workers, some 80% of the workers hired by NUMMI were drawn from the previously employed GM workers from the Fremont plant. Production began in December 1984, and by the spring of 1986 the plant had reached full capacity output of 20,000 cars per month (since doubled). Productivity was 50% higher than in the old GM plant and was equal to that of its sister plant in Japan. Unexcused absences were reduced to about 0.5%, and the level of quality was found to be comparable to the imported Toyota Corolla by both consumer and industry analyses.

The NUMMI production process is built around the use of teams of five to eight members. Teams set out the work tasks and rotate them among members. They also meet periodically to discuss how to improve the work process and product quality. Whenever possible, it is expected that the teams will solve production problems rather than calling in engineering or management representatives. Workers have the right to stop the assembly line at any time to solve an assembly problem. Emphasis is on worker flexibility and involvement in the work process. It is also noteworthy that a recent study finds that worker knowledge and participation improves management of pollution and waste at NUMMI, contributing both to plant efficiency and worker safety (Rothenberg, 2003) and the lessons of NUMMI for productivity have also been found for other automobile plants that have followed the path of worker participation (MacDuffie and Krafcik, 1992).

### **Worker Cooperatives**

Perhaps the most traditional form of worker participation is that of the worker cooperative. Worker cooperatives are both owned and managed by their workers (Jackall and Levin, 1984). Depending upon the size of the cooperative, participation may be highly informal with discussions and meetings, as needed, and personal discretion in specific work roles. In larger firms the participation may be more formal in terms of work teams and specific decision forums as well as selection of managers. As owners the cooperative members may also engage in financial decisions with regard to investments, retained earnings, and business strategy. It is important to note that worker-owned firms are not necessarily co-operatives. Many firms use Employee Stock Ownership Plans (ESOP's) to fund employee pension plans with stock in the firm (Conte and Svejnar, 1990). However, depending upon the amount of stock in employees' accounts and the voting rights attached to it, employees may not even be able to participate in board

elections. Direct participation in work decisions may not accompany these forms of employee ownership, although it appears that worker ownership and participation lead to higher productivity and profitability of such firms, particularly smaller firms. A survey of such studies and their findings is kept by the National Center for Employee Ownership (2004).

Cooperatives have a long history in the U.S. (Jones, 1984). They arise particularly at times of economic crisis, when employment is threatened, and they provide a buffer to unemployment as their members prefer continued employment at reduced pay until the market improves. As an interesting historical footnote, between 1931 and 1938 over half a million U.S. families were affiliated with 600 self-help organizations of which about half were production cooperatives (Jones and Schneider, 1984).

Over the past eight decades, a significant portion of plywood produced in the Pacific Northwest has been produced by worker cooperatives, firms that are both owned and managed by their workers with an earlier history documented by Berman (1967). When all U.S. plywood was made in the Northwest, about a quarter of it was produced by the cooperatives. To a large degree the worker cooperatives were formed as a buffer to unemployment. The plywood industry depends heavily on construction activity, a notoriously cyclical industry. The plywood firms were situated mostly in rural areas where there were few alternative sources of employment when there was a recession in construction. Thus, workers were able to reduce hours during low periods and devote themselves to refurbishment and improvement of the plant and machinery to prepare for better times. During busy periods they increased their hours of work and devoted them to production in a plant that had been readied for expanded output. In some cases the firms were started from scratch; in others they were purchased from capitalist owners and converted into cooperatives. The firms typically ranged in size from 80 to 350 members. Greenberg (1984) provides a detailed picture of governance and participation in these cooperatives.

John Pencavel (2001) has carried out an important study of productivity of the cooperative plywood firms in comparison with unionized and non-unionized capitalist plywood firms in the Northwest. Pencavel is a mainstream labor economist who had no previous association with cooperatives. Using sophisticated econometric models, he found a 13.5% difference in output in favor of the cooperatives in comparison with the unionized firms with similar levels of production inputs. As he notes, this is equivalent to workers in the cooperatives going on vacation for an additional seven weeks a year while producing the same output as the unionized firms. Interestingly, he finds that these results are not due to higher effort of the cooperative workers, but more efficient decisions in the selection and use of raw materials and machinery and better production judgments in the use of labor, a response to incentives of workers when they own the firm and benefit from its success.

The most important industrial cooperative movement in the world is found in Mondragon in the Basque region of Spain, the Mondragon Cooperative Corporation or MCC (Thomas and Logan, 1982; Whyte and Whyte, 1991) and with information available on an extensive website, [www.mondragon.mcc.es](http://www.mondragon.mcc.es). I went to Mondragon in the Spring of 1975 to study the cooperatives and returned for a brief visit in 1992. Started in 1956 by a Basque priest who wished to create employment based upon principles of social justice, the movement had expanded to some 150 enterprises with total sales in 2003 of more than \$13 billion dollars. This makes the MCC the 12th largest enterprise in Spain. It includes the largest manufacturer of refrigerators and domestic appliances in the country. Other products include iron and steel, machine tools, winches, lathes, and electronic components. Employment at the end of 2003 was about 68,000, of which approximately half were members of the cooperatives. Those employed in sales and distribution, outside of the Basque region comprise most of the non-members. All of the cooperatives operate under the aegis of the same social statutes and share in common a system of social security, clinics, a major financial institution, a research and development center, and a renowned technical school.

Financial remuneration for members comes in two forms. First, each worker has an investment account which can be redeemed at retirement and which grows with the distribution of the financial surplus to member accounts. In addition, members receive pay according to the hours of work and the rating of jobs according to skill and difficulty. Both forms of remuneration are based upon this job rating. The ratio of maximum pay to minimum pay is about 6:1, representing extraordinary equity relative to the capitalist or government sector. Typical ratios of maximum to minimum income in a U.S. firm are from 200:1 to 300:1. There is an elaborate system of participation and governance, extending to the election of committees that hire managers.

Although I was unable on short notice to obtain a recent study of worker productivity in Mondragon, the movement claims to have worker productivity that is double that of Spanish industry. Based upon my data collection in 1975, I undertook a comparative study of productivity based upon 1972 data (Levin, 1984). With only about one quarter of the capital per worker, the Mondragon cooperatives were able to produce 88% of the value-added per worker in comparison with the largest 500 capitalist firms in Spain. This is a remarkable productivity advantage for the cooperatives. Even if this advantage were reduced in recent years, it is unlikely that it has diminished substantially, given the historical competitiveness and high growth rates of the Mondragon cooperatives. Martin (2000) undertook a more recent study to compare productivity of five cooperative firms with nine conventional firms in the same industry. In this 6 year study (a period of economic slump in Spain), the cooperative firms outperformed the conventional ones, suggesting that the productivity advantages are still present.

## Other Organizations

There is far less study of worker democracy and productivity in government organizations. As one might expect, participation in management decisions by employees in the public sector has been found to be positively associated with job satisfaction (Kim, 2002). And job satisfaction seems to be related to performance (McCue and Gianakis, 1997; Miller and Monge, 1986; Petty *et al.*, 1984). The evidence is reasonably consistent that job satisfaction is associated with lower absenteeism and employee turnover, a source of higher productivity (Brooke and Price, 1989; Eby *et al.*, 1999). In addition, there are individual studies of particular services that show greater efficiency of government services associated with participatory management. For example, a recent study found that the cost of fire protection services was associated with lower per capita costs (controlling for many other pertinent influences) when management was decentralized and participative (Donahue, 2004).

The Accelerated Schools Project is a national school reform project adopted by about 1000 schools in 41 states. It is premised on a process in which school staff and parents identify the major challenges facing a school and work together through small groups and a structured problem-solving process to address student needs (Hopfenberg *et al.*, 1992). An overall steering committee with representation from all school roles coordinates decision-making and implementation. Independent assessments by evaluation organizations have found strong improvements in student learning from this model, although separating the impact of the governance model from the substantive changes in pedagogy (instructional enrichment) is not possible (Bloom *et al.*, 2001; Ross *et al.*, 1999). But, teachers confer benefits on the school process through their own creativity and the wisdom of practice, and collaborative participation in school decisions is likely to be as successful in education as in other areas.

Another recent development has been the establishment of teacher cooperatives that contract with schools to provide services (Dirkswager, 2002). After the successful establishment of several schools, a Minnesota teachers' cooperative was given a grant by the Bill and Melinda Gates Foundation to establish 15 new schools. Although this is a nascent effort, the early results suggest the prospects of developing teacher cooperatives to operate charter schools.

Finally, the potential for creating communities of client-workers to address social issues would seem to have great potential. Delancey Street Restaurant in San Francisco is a trailblazer in this respect (Cohen, 2004; also see <http://www.grass-roots.org/usa/delancey.shtml>). Its staff is made up entirely of ex-convicts, and the restaurant has high ratings. The idea is to help released prisoners re-enter society by placing them into a situation where they must work collaboratively and responsibly in job roles that contribute to the success of the restaurant and parent organization. By living and working together in a co-dependent relationship, they prepare to

reenter society with job skills and experience. Although nationally almost two of three released inmates are arrested again within 3 years, recidivism rates for Delancey Street participants are much lower. Delancey houses about 400 ex-convicts at a time. Participants are about equally divided among Anglos, Blacks, and Hispanics. There are no social workers or therapists, but residents teach and support each other. Job placement rates of Delancey-trained workers in the private sector are high as are participation rates for achieving success in high school equivalency certificates, vocational training, and college courses.

### WHERE SHOULD WE GO FROM HERE?

In this article I have asserted three imperatives that argue for greater worker and workplace democracy: moral, political, and economic. I have also tried to demonstrate the fact that we have many examples of workplace democracy and a very large guiding literature on the subject. If the arguments and existence proofs are persuasive, where should we go from here? Clearly a social movement is established when a large number of people from different roles coalesce around a desirable vision and potential strategies for reaching it that are of mutual benefit. Unfortunately, most people are not aware of this vision because their horizon of possibilities is restricted to the experiences of their own work realities.

Thus, a very important direction is to find ways that a wide audience can be familiarized with the possibilities and consequences of worker democracy. In the past, worker democracy and participation were viewed as unlikely to be effective because the sharing of information required for worker decisions was too costly. Thus, such information had to be the province of the few at the top of the organization who would formulate work roles and procedures for everyone else who did not have the ability to access and process the crucial data. However, with the widespread use of information technologies with networks, interactive software, and rapid communication, it is possible to disseminate huge amounts of information quickly and in communicative modes. That is, the logic of improving decision-making with rapid access to pertinent information and good communications is a compelling reason to push for greater democracy in the workplace. No longer can one argue that information availability is the bottleneck.

Clearly, we need more experimentation with different modes of workplace participation. Employers need to consider how bringing greater democracy into the workplace will improve employee skills, satisfaction and productivity, and reduce absenteeism and turnover. Employees need to consider how different forms of democracy can be applied to their workplaces and join together to push for change. Teachers need to instill more democratic processes in classrooms in which students take responsibilities for decisions (e.g. planning, scheduling, choosing

topics, choosing activities, evaluating the quality of work) and their consequences (Carnoy and Levin, 1985: Chapter 8). Teachers also need to fight the current trends towards central control of the purposes of education and the process, all being done in the noble terms of “standards” and “No Child Left Behind.” Fearful districts and schools are following suit by providing mechanical curricula and scripted lessons that all teachers must follow, rather than relying on the talent of the teaching force to transform student learning.

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