

# Innovation in Isolation: Labor-Management Partnerships in the United States

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## Abstract

*In the United States, as in other advanced industrial countries, worker participation in management has taken on increasing importance, placing pressures on employers and unions to change how they deal with employees/members, and with each other. This paper examines two of the most impressive cases in the U.S.: the partnerships between General Motors (G.M.) and the United Autoworkers union (U.A.W.) at Saturn and between BellSouth and the Communication Workers union (C.W.A.). We outline the evolution and the basic features of these innovations, as well as highlighting certain ongoing problems. These problems, we argue, confront the parties to employment relations in the U.S. more generally, reflecting profound ambivalence about such experiments, and their continued isolation as 'islands of excellence'. As such, these cases both illustrate the vast potential for labor-management partnerships as well as the dampening effect of the employment relations context in the U.S.*

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## **Introduction**

In the United States, as in other advanced industrial countries, worker participation in management has taken on increasing importance as Fordism/Taylorism continue to be replaced by new ways of organizing work and production (Campbell, 1989; Visser, 1994). These changes have placed pressures on employers and unions to change how they deal with employees/members and with each other. These pressures in turn have led to the development of a variety of impressive experiments with innovative new ways of involving workers and their representatives in decision making processes traditionally viewed as falling within the domain of managerial prerogative (Applebaum and Batt, 1994; Kochan et al., 1986). Indeed, even employers in Germany—with its extensive mechanisms for worker representation and labor-management cooperation – have cited American cases as representing international ‘best practice’ in the area of worker participation in management decision making (Gesamtmetall, 1989).

This paper presents two of the most impressive labor-management partnerships in the United States: between General Motors (G.M.) and the United Autoworkers union (U.A.W.) at Saturn, and between BellSouth and the Communication Workers union (C.W.A.). However, certain problems continue to confront the parties to employment relations in the U.S. with regard to such innovations. Often the parties involved in these experiments remain ambivalent about them, and the innovations remain isolated. As we will argue with reference to the two cases, these problems reflect the employment relations context in the U.S.

## **Background**

In the U.S. only about 12% of private sector workers and 15% of the workforce as a whole are unionized. Union coverage reflects these percentages, since under the ‘exclusive representation’ system mandated by the National Labor Relations Act of 1935 (N.L.R.A., as amended) workplaces are either entirely unionized or entirely nonunion. There is no ‘second channel’ of worker representation through nationally mandated works councils independent of the unions.

Most collective bargaining agreements in the U.S. address issues of work organization in the sense that most collective bargaining contracts involve the detailed definition of jobs and the demarcation of jurisdictions, as well as a strict seniority system that governs wages, transfers and lay-offs (Katz, 1985). This ‘job control’ system is entrenched in unionized manufacturing industries and some service sectors organizations, and constrains internal

labor market flexibility. Because of the few legal restrictions on hiring and firing workers and the lack of wage solidarity within and across industries, firms are encouraged to obtain workers through the external labor market rather than investing in their incumbent work forces. Since work organization is substantially shaped by job definitions, 'job control is directly challenged by efforts to change the organization of work and skills (Frenkel et al., 1995).

Recent research suggests that about 35% of companies with more than 50 employees have introduced some aspects of 'high performance work systems' (Osterman, 1994), which organize work and production to support a high labor-value-added, high quality and high productivity competitive strategy (see also Walton, 1985). Evidence suggests that more of the sorts of innovations associated with significant increases in productivity are to be found in unionized than in nonunion settings (Eaton and Voos, 1992; Kelly and Harrison, 1992). Nevertheless, research has also found that in most cases companies have adopted one or a few aspects of high performance work systems without effecting a substantial transformation in the labor-management relationship (Applebaum and Batt, 1994).

Companies have introduced many different kinds of employee involvement programs including quality circles, provisions for due process to handle employee grievances, quality of worklife programs, and so on. Yet many of these companies are currently in the throes of 'reorganization' or 'downsizing,' and are laying off significant portions of their work forces. Worker participation in these companies involves no formal, independent involvement of employee representatives; that is, it exists purely at the sufferance of management, which can limit the potential effectiveness of such an approach.<sup>1</sup>

### *The Employers' Position*

In the United States there are no long-standing collective employer mechanisms for consideration of problems of mutual concern, such as work reorganization. Industry associations restrict their activities primarily to political lobbying, and often take differing positions on national issues. Efforts at national level coordination through tripartite meetings to address extraordinary circumstances (e.g. during war time, or after the oil crisis of the late 1970s) have not been sustained.

Individual employers' approaches range from total rejection of employee participation to near total acceptance of employee and union involvement in decisions about how work and production are organized and conducted. On the one hand, there is ample evidence of the participative style of employee relations associated with high performance work systems.

In both unionized and nonunion settings it is not hard to find examples of employee participation in decision making, and a relatively high level of trust and information exchange between employer and employee (Applebaum and Batt, 1994; Mishel and Voos, 1992). For instance, impressive union-management participation programs can be found at Xerox, Boeing Aerospace, American Telephone and Telegraph (A.T.&T.), the big three auto makers (G.M., Chrysler and Ford), and Transworld Airlines (T.W.A.; Klein and Chase, 1993). The relatively cooperative Japanese model has been operationalized in many enterprise – both union and nonunion – involved in the reorganization of work and production (MacDuffie and Krafcik, 1991; Womack et al., 1991).

On the other hand, many American managers believe that labor's interests are predominantly in conflict with those of employers (Reynolds, 1990; Nash, 1991; McDonough, 1990). Unions are viewed as drags on profitability. Employers complain of a variety of constraints, including rigid union work rules that prevent the flexible deployment of labor, and the freezing of wages and working conditions throughout the two or three year term of a collective bargaining contract. Conflictual union-management relations, where economic downturns translate into lay-offs or pay cuts, and where there are costly high employee turnover and grievance levels, are common. This 'low trust' approach to labor-management relations accounts for what may be the single largest group of American workers, whose jobs tend to be organized according to the principles of mass production. They are characterized by low wages and skills, relatively poor working conditions and 'employment at will' (at the employer's will). Workers in these jobs are widely considered to be relatively uncommitted to their work, as reflected in relatively low levels of quality and productivity (Schlessinger and Heskett, 1991).

In short, the U.S. is characterized by the simultaneous existence of several rather contradictory trends in employer approaches to worker participation in work organization.

### *The Unions' Position*

Union policy statements and collective bargaining language about labor-management participation are for the most part fairly general. Workers often regard such efforts with suspicion. The approaches of national and local unions vary a great deal as well. The decentralization of the industrial relations system is underlined by the position of the economic research department of the central trade union federation – the American Federation of Labor and Congress of Industrial Organizations (A.F.L.-C.I.O.) – that

the federation takes no position on worker participation because this is a matter for collective bargaining, and thus for individual local unions.

In the early 1980s, as unionization levels continued to decline, the A.F.L.-C.I.O. founded the strategy-developing Committee on the Evolution of Work to address these problems. But because the exclusive representation model locates the power to bargain chiefly at the local level, issues of work organization were not considered in any detail at the national level by the Committee. Thus, while in principle the Committee has endorsed an increase in worker participation in management (A.F.L.-C.I.O., 1985 and 1994), no concrete proposals for enhancing unions' ability to channel such participative efforts were agreed upon at this level. The propriety of workers' involvement in issues that have traditionally been considered to fall within the managerial domain remains contested. Some central unions endorse a more participative form of labor-management relations (such as the Steelworkers union and the Communication Workers), and some remain equivocal, preferring to allow local unions the latitude to pursue separate policies (such as the U.A.W.)<sup>2</sup>

The 1992 inauguration of a democratic administration spawned hopes that after more than a decade of a labor-hostile White House the union movement may once again have allies in the administration. Labor Secretary Robert Reich and the late Commerce Department Secretary Ron Brown named a blue ribbon Commission on the Future of Worker-Management Relations to look into the problems of labor law and employment relations, and to recommend possible public policy solutions. The Commission's recommendations were general and mild, however, reflecting the difficulty of achieving consensus among its representatives of business, government and academia (Commission on the Future of Worker-Management Relations, 1994; see also Kochan, 1995).<sup>3</sup>

## **Modeling Participation**

The cases of Saturn and BellSouth are especially instructive in that they highlight important distinctions among different kinds of labor participation in management decision making. Rubinstein (forthcoming) elaborates four modes of participation. Two occur 'off line'—that is, between labor and business, but removed from the actual processes of production and service delivery: (1) union-management partnerships and (2) workers' problem solving. Two occur 'on-line': (3) co-management, where management decisions are made jointly by union and management representatives, and (4) workers' participation in how work is and should be done, at the workplace, as issues arise. As will become apparent below, the Saturn case

involves all four participative modes, and BellSouth includes all but the second.

The cases, to which we now turn, show how *the decentralization and variation described above make possible extensive local innovation in the labor-management relationship, but also underlie the relative isolation of such innovations*. Environmental and organizational constraints render these experiments all the more impressive, but raise questions about whether and how they can be sustained. They highlight the extreme difficulties encountered by labor and management representatives interested in breaking out of the traditional, arm's length model of labor relations enshrined in U.S. labor law.

## **The United Autoworkers Union and General Motors at Saturn<sup>4</sup>**

The Saturn partnership between the General Motors Corporation (G.M.) and United Automobile Workers (U.A.W.) breaks new ground as a model of organizational governance. Saturn has achieved world class quality, as well as higher ratings from consumers than any other domestic car line in initial vehicle quality, satisfaction after one year of ownership, and service.<sup>5</sup> This case study explores the evolution and key features of the Saturn partnership and discusses how the local union has reinvented its role and structure in response to the demands placed upon it by the new governance system.

Saturn is a wholly owned subsidiary of G.M., manufacturing a separate line of automobiles, with manufacturing located in Spring Hill, Tennessee. Current investment in plant, equipment, and product development is estimated at \$5 billion. Employment is over 9,000 and includes 7,300 U.A.W. members relocated from 136 G.M. locations in 34 states.

In 1982 G.M. concluded it could not competitively produce a small car in the U.S. under its existing union contracts. In 1983 G.M. and the national U.A.W. jointly studied the global automotive industry to determine the key success factors of world class manufacturing, looking at everything from technology and supplier relations to work organization, retailing, and capacity utilization. The study provided the basis for the organizing principles of Saturn, incorporated into the 1985 Memorandum of Agreement – the first collective contract.

Saturn's governance structure was to make the union a 'full partner', with consensus decision making and a sharing of authority through a partnership structure built on joint union-management groups. The union

helped design the organizational structure, and was included in decisions from site and supplier selection to pricing, organizational structure, engineering and process design.

### *Worker Representation*

The U.A.W. local union does not have a traditional grievance committee or shop steward system, which would, at other G.M. plants, include one committeeman for every 250 employees. Only the president, four vice presidents, and fourteen elected crew coordinators can write grievances. Workers are also represented through extensive participation in the management organization, with union leaders jointly selected by the local union and Saturn management. The local union leadership has expanded representation to other workers at Saturn, organizing contract workers such as cleaners, truck drivers, and cafeteria workers.

### *Work Organization*

Over 700 self-directed work teams or 'Work Units', consisting of 6 to 15 members, are the basic building blocks of Saturn. Team members are cross-trained to do all of the jobs within team jurisdiction, and rotate through them on a schedule they determine. The two main job classifications are 'operating technician', covering all production teams, and 'maintenance technician', skilled trades team members. Teams elect their own leaders, who remain working members of the unit, receive union training, have responsibility for team leadership, and solve members' problems. Team leaders represent the level to which members may go with problems. If problems can not be resolved at this level, the union is also represented at the module and business unit levels. Teams manage their own budgeting, quality, housekeeping, safety and health, maintenance, material and inventory control, training, job assignments, repairs, scrap control, vacation approvals, absenteeism, supplies, record keeping, work planning and scheduling. They do their own selection and hiring – not seniority based – largely from among active and laid off G.M./U.A.W. employees.

New employees receive 350 to 700 hours of training before they build cars. Training covers technical and organizational skills, including team organization, problem solving, decision making, conflict resolution, labor history, budgeting, business planning and scheduling, cost analysis, manufacturing methods, ergonomics, industrial engineering, job design, accounting, record keeping, statistical process control, design of experiments, and data analysis. By contract, all Saturn employees, including management, have an annual training goal of 5% of the annual work schedule (or 92

hours), and compensation is at risk if the goal for all employees is not met. In 1992, 5% of compensation was at risk; in 1993 it was 10%; in 1994, 15%; and in 1995, 20%.

### *Labor-Management Interactions*

Teams interrelated by geography, product, or technology are organized into modules of approximately 100 members. Modules have no supervisors but two *Advisors* – one a member of the U.A. W., and the other non-represented ('management') U.A. W. – represented and non-represented Saturn employees are 'partnered' to manage the business jointly, sharing all management responsibilities.

Modules are integrated into three Business Units: Body Systems, Powertrain and Vehicle Systems. Middle managers (crew coordinators) provide leadership and resources to module advisors. Every non-represented crew coordinator has a union partner who shares in decision making responsibilities. Each Business Unit also has a joint union-management committee, which meets weekly to make operating decisions. In addition, a joint union-management committee, the Manufacturing Action Council (M.A.C.), covering the entire complex, meets weekly to discuss site-wide issues. The local union president and the four vice presidents all attend the M.A.C. At the corporate level, the Strategic Action Council (S.A.C.) – including the local union president – concerns itself with company-wide long range planning and external relations. The joint committees use a consensus process whereby decisions do not proceed unless all participants agree, but any participant who blocks a decision must offer an alternative.

### *Labor Participation*

One of the most impressive aspects of the Saturn experiment is that the local partnership arrangement has evolved significantly since its creation in 1985. In order to fulfill its responsibility to be a partner in the management of the business, the union needed to gain institutional changes at the operational level. For example, after much debate over the status of the module advisors, it was agreed that they would be paired, union-represented and non-represented, and that the number of teams they cover would be increased accordingly. Yet despite this partnering arrangement in the production areas, indirect staffing headcount is low, with a direct to indirect ratio of approximately 50:1. This reflects both the unique role of the module advisor and the design of the work teams, which assume many of the responsibilities of traditional foremen. In most G.M. plants direct to indirect manning in production areas averages 25:1.<sup>6</sup>



The partnering of module advisors was first put in place in 1988, and crew coordinators, replacing traditional shift superintendents, were added in 1989. Partnering was extended to the functional staff areas in 1989 and 1990 to include sales, service and marketing, finance, industrial engineering, quality assurance, health and safety, training, organizational development, and corporate communications. Maintenance was added in 1991, and process and product development in 1992. The partnering now includes over 400 union members. The union views its module advisors as supplementing the local leadership. Module advisors approve payroll, overtime, and purchases, but have no authority to discharge, hire, discipline or write grievances. They focus on organizing and managing resources, facilitate decision making and problem solving with the team leaders, and represent the work units on the business unit labor-management committees. Module advisors balance their time between direct supervision of teams, and training team leaders and members. They also focus on social issues, solving problems that can not be addressed by team leaders. Evidence suggests that their management leadership improves team quality performance (Rubinstein, forthcoming).

Four dimensions of the Saturn partnership expand voice and representation opportunities for the local union and work force. As noted, these can be analyzed operationally as on-line and off-line, and organizationally as taking place at the union/institutional level or work force level. Only the off-line labor-management committees and the on-line self-directed work teams were included in the original organizational design.

The on-line partnering of U.A.W. and non-represented middle management represents a unique institutional arrangement, directly challenging assumptions regarding the limits of labor's role in management. As noted above, the partnering was initiated by the union because it could not both manage the business and represent the interests of their membership simply through off-line labor-management committees. Yet Saturn's co-management poses challenges to current U.S. labor law. In 1980 the U.S. Supreme Court determined that employees performing managerial work were not covered under the National Labor Relations Act, and therefore their rights to collective bargaining were not protected. At Saturn, however, many union members are performing work that is traditionally the responsibility of managerial employees.

U.A.W. Local 1853 is pioneering an effort simultaneously to service the membership while co-managing the business. For example, a forum called Congress meets twice a month, bringing together the elected union executive board with U.A.W. module advisors and crew coordinators to discuss business and partnership issues and local union strategy. The local has

instituted Member-to-Member Surveys of the entire workforce, using formal interviews by team leaders to identify needs and concerns the union should address. In 1991 this survey served as the basis for the union's contract negotiations.

The union Leadership Team (50 top union leaders) meets weekly to discuss the partnership and union strategy, continually reorganizing the local structure. For example, one change initiated in the early 1990s, in order to increase the presence of union officials on the plant floor to deal with potential representation problems, was that the vice presidents originally assigned as partners to the plant managers (business team leaders) were dedicated to particular crews. Executive board members were then partnered with the business team leaders, creating a matrix organization. When in 1995 a contract change made it possible for crew coordinators to write grievances, the vice presidents were reorganized again, and partnered once more with business team leaders. Elected officers also have regular bi-monthly meetings with team leaders – who are in the difficult position of balancing the individual's needs with those of the team – to discuss their complex production-related and representative roles and responsibilities.

Conflict at Saturn still exists, yet is seen as normal, with the potential for productive outcomes through problem solving, information sharing and consensus decision making. Conflict resolution is facilitated by permanent labor-management committees at all levels, and by on-line co-management, which forces union and management partners to balance the needs of the work force with those of the business. Indeed, conflict is not always between 'labor and management'. Cleavages may run along lines of different crews, modules, plants, maintenance and production, or operations and engineering. In some cases the union, with its site-wide responsibility as an effective third party, has added value by facilitating conflict resolution between different functional areas or between different business teams.

### *Organizational Contexts*

One internal union conflict concerns whether the module advisors should continue to be jointly selected, or whether they should be elected. The current union leadership supports joint selection, fearing that elections would politicize the process and imperil the union's delicate balancing act. A referendum on the question in January 1993 upheld the joint selection process, but there is continuing debate on various aspects of the partnership within the local. This issue reflects a broader debate within the union over the appropriate balancing of co-management roles with those of traditional member-servicing.

Furthermore, the U.A.W. national union's attitude toward Saturn reflects ambivalence about embracing this model of comanagement and transformed industrial relations as a broader union strategy. The national union has not attempted to replicate the Saturn agreement or partnership in any other plants, either at G.M. or at the other major auto manufacturers.

Finally, G.M.'s reluctance to allocate additional capital for capacity expansion and new product development at Saturn suggests the company's ongoing ambivalence. Top managers at the company continue to be concerned about many aspects of this innovative organization, including both the extent of partnership with the union and the autonomy of Saturn as a separate corporate entity. In fact, in 1994 Saturn was integrated into a new small car group at G.M., which may reduce Saturn's autonomy in product development and sourcing.

## **The Communications Workers of America and BellSouth<sup>7</sup>**

In contrast to Saturn – a greenfield site – the partnership between District 3 of the Communications Workers of America (C.W.A.) and BellSouth represents a joint effort to redesign work in the context of on-going operations in large bureaucracies with deeply ingrained labor management institutions. This case reviews the evolution of the C.W.A./BellSouth Partnership, analyses its logic as a strategic response to market deregulation and increased competition, and describes the extent and success of work reorganization from the late 1980s on. Finally, it assesses the continuing viability of the partnership, given a deterioration in the labor and product market institutions that provided a supportive environment for its development.

BellSouth Telecommunications (B.S.T.) provides basic telephone service in nine southeastern states in the U.S. It is a subsidiary of BellSouth Corporation, one of seven regional holding companies formed under the 1984 court-ordered break-up of the A.T.&T. telephone monopoly. The 1984 legal settlement meant that the regional Bell operating companies (R.B.O.C.'s) would continue as monopoly providers of local service, but could not enter long distance or equipment markets. Regional telephone companies began restructuring operations in anticipation of complete deregulation, which finally occurred with the passage of the Telecommunications Act of 1996.

The C.W.A./BellSouth partnership is built on an explicit understanding that a unique competitive asset of the former Bell system company is its highly skilled and experienced frontline workforce, which has the critical role of maintaining and expanding a loyal customer base. The Bell compa-

nies cannot match the low costs of new non-union entrants. The union in this case agreed to promote work reorganization to improve quality and customer service in return for employment and union security.

### *Work Organization Under the Old and New Bell System*

Traditionally, advances in network technologies and engineering systems strongly influenced work organization. A.T.&T. relied on advanced network technologies developed by Bell Laboratories to improve the quality of transmission and switching systems and reduce unit costs. Heavy capital investment and fixed costs in infrastructure, coupled with the reliance on technology to drive down unit costs, led the telecommunications industry to resemble mass production goods-producing industries. Labor-saving technologies increased productivity at the fast clip of 5.9 percent per year between the 1960s and 1980s.

A.T.&T.'s work organization was also highly centralized, bureaucratic, and functionally-specialized. As the monopoly supplier to local Bell telephone companies, A.T.&T. coupled its sale of network equipment with required 'standard operating procedures' for using the equipment. This led to a highly centralized system which became increasingly hierarchical and bureaucratic over time. The ratio of managers to workers in the Bell system, for example, dropped from 1:6.3 in 1950 to 1:2.4 in 1980 (Batt 1995, Table 2.4).

The phone companies organized work through functional departments that included construction, network engineering, installation and repair, service orders, billing and collections, and support services such as finance and accounting, legal, external relations, labor relations, and personnel. This organization favored efficiency gains through specialization, but customers had to deal with a confusing maze of departments, each with its own data system and performance measures. These organizations were in fact highly inefficient and ineffective in meeting customer needs. Once long distance deregulation created alternatives, many consumers left A.T.&T. Regional Bell companies such as BellSouth are attempting to avoid the A.T.&T. experience by reorganizing work and reorienting their workforces towards customer service and quality.

The former Bell system companies have identified the need for two levels of organizational restructuring. The first involves the reconfiguration of functionally specialized hierarchies into cross-functional, market-driven business units. BellSouth and other former Bell companies began making these changes in the late 1980s. Second, management layers needed to be reduced, and decision-making decentralized to lower levels of the organization. Customer-contact employees required greater power to make deci-

sions in response to customer needs. The first set of changes has not involved the union. Successful implementation of the second set of changes, which more significantly affect non-management workers, depends critically on union involvement.

### *Evolution of the C.W.A./BellSouth Partnership*

Experiments in 'participatory management' at Southern Bell (one of 2 local telephone companies that combined to form BellSouth at A.T.&T.'s divestiture) had begun in the late 1970s, when the company president began meeting with C.W.A. regional and state labor leaders to demonstrate his commitment to this change. When A.T.&T. and the national C.W.A. negotiated a joint Quality of Work Life (Q.W.L.) program in 1980, Southern Bell and C.W.A. District 3 used the program to advance participatory management at the local worksite level. Q.W.L. programs, popular with the workforce, began in 1982 at Southern Bell. Unlike A.T.&T. and some of the other R.B.O.C.'s, Q.W.L. programs continued in BellSouth after divestiture, and numbered over 600 in 1989, when they were merged into the total quality program, 'Excellence Through Quality' (E.T.Q.).

BellSouth and the C.W.A. also developed a joint Q.W.L. oversight structure in which management at the district (local), state, and corporate levels invited union leaders to attend regularly-scheduled business meetings. This tiered Q.W.L. structure became the prototype for the joint E.T.Q. oversight structure, and facilitated its implementation. Finally, the Q.W.L. program gave lower level managers and union members useful experience in working together in off-line committees to solve on-the-job problems. Q.W.L. at BellSouth created a viable structure for on-going union-management interaction and the experience of more positive labor management working relationships at local worksites.

### *Union and Worker Participation in the New System*

By January 1992, the C.W.A. and BellSouth had established a four-tiered Excellence Through Quality program which pairs management and union representatives to promote quality at various levels of the company. The E.T.Q. Quality Council is the executive oversight body, made up of corporate-level presidents from Network, Services, Marketing, and Human Resources, as well as the C.W.A. District Vice President. The Quality Steering Team consists of top union leaders and the corporate vice-presidents of the major operational departments. State-level steering bodies include the general managers of the operational departments at the state level plus the state and local presidents of the C.W.A.. At the local level, 'Quality Lead

Teams' operate through the District Operations Councils, local bodies of district level managers and local union presidents.

This type of tiered structure is extremely important for coordinating joint efforts in a company with highly dispersed geographic worksites. District 3 of the C.W.A. oversees 91 local unions and 6,500 stewards covering a workforce of 58,000 located in thousands of rural, urban, and suburban worksites over a nine-state area. The 91 locals range in size from fewer than 50 to over 6,000 members. Some corporate managers view the union's added value in this structure as providing monitoring and oversight of the implementation of quality programs in ways that top management cannot do by itself. This multi-tiered structure creates a forum not only for union involvement in quality issues, but for consultation and information sharing over broader issues as well. Local union presidents began regularly to attend the full business meetings of district and state-level operating councils, and many middle managers began inviting union presidents to sit in on their weekly staff meetings.

Through the E.T.Q. program, the company and union set up joint quality training teams with equal numbers of trainers selected by the union (from rank and file members) and management (mid-level managerial ranks). Roughly 85 percent of the management and non-management workforce received the training. The full-time staff devoted to joint programs tripled to 36 under E.T.Q. The separate training organization includes 190 trainers. Quality trainers act as internal organizational development specialists providing technical assistance to local teams as needed.

Worker participation occurs through off-line problem-solving, or quality action teams and (on-line) self-directed teams (S.D.T.'s). The quality action teams have focused largely on process improvements using total quality techniques. Approximately twelve percent of the core workforce had been involved in off-line teams by 1994. Approximately five percent of the core workforce in network and customer services was participating in over 175 S.D.T.'s by 1994.

### *Team-based work systems*

Wireline telecommunications services depend on two primary occupational groups: network technicians, who build and maintain the network switching and transmission systems, and customer service representatives (C.S.R.'s) who handle customer orders, inquiries, billing, and collections. Self-directed teams in both network and customer services report changes in their job responsibilities and behavior along four important dimensions: they (1) absorb more administrative tasks, (2) have greater autonomy to handle customer demands, (3) help each other more to solve problems (internal

group learning), and (4) interact more with managers and experts outside of their department to get their job done (cross-functional interaction).

Network technicians are highly skilled workers with considerable autonomy and independence because of the craft nature of the work and the geographic dispersion of field-based operations. The evolution to S.D.T.'s is a natural one, and particularly in more dispersed rural areas it formalizes pre-existing informal arrangements. Even for rural workers, however, formal self-directed teams increase workers discretion and responsibility.

C.S.R. jobs are semi-skilled office jobs, historically heavily supervised and electronically-monitored. Pressure to increase sales while reducing the average cycle time per call has dramatically raised stress levels. S.D.T. innovations help give workers greater discretion to set daily tasks and solve non-routine problems through group interaction, or by directly contacting experts as needed outside of their departments. (Among traditionally-organized groups, supervisors answer all questions and handle non-routine problems.)

A quantitative assessment of matched pairs of self-directed and traditional groups found substantial positive effects of S.D.T.'s for both management and workers (see Batt 1995). S.D.T.'s were significantly more likely to absorb administrative tasks, exercise greater autonomy to handle customer demands, help each other more to solve problems, and interact more with managers and experts outside of their department to get their job done. Workers gained greater autonomy; greater use of skills, creativity, and on-the-job learning, as well as more job satisfaction and pride in work accomplishments. While 75 percent of surveyed workers in traditional work groups say they would volunteer for teams if given the opportunity, less than 10 percent of self-directed workers would return to traditional supervision.

Changes in work behavior and attitudes translated into better performance, on both subjective and objective scales. Among network technicians, self-directed and traditional groups maintained the same levels of productivity, but the self-directed groups additionally absorbed the work of supervisors in roughly one-third of the time taken by supervisors to do the work. Comparing the wages, hours, and overtime of supervisors versus S.D.T.'s, the company saved an average of \$52,000 in indirect labor costs for each S.D.T.-initiated. Among customer service teams, S.D.T.'s averaged 15-20% higher sales levels in 1993 and 1994. In general, with S.D.T.'s, supervisory spans of control are double or triple those of traditional supervisors (from 1:5-10 to 1:15-30, depending upon the location and work group).

### *Institutional Context*

Recent competitive pressures, however, are undermining the partnership's institutional supports. BellSouth, along with the other R.B.O.C.'s, has increased its cost-cutting and downsizing, jeopardizing trust and employment security. Two institutional supports were critical to the development of the joint partnership. The first concerns how product market regulatory institutions evolved over time. Historically, state level public utility commissions regulated local telephone service, safeguarding universal access and quality and safety standards. Telephone companies were viewed as quasi-public entities, providing good jobs as well as a vital public service in cities, towns, and rural areas. They strove to maintain a positive image and strong political ties with state and local public officials, and to maintain a reputation as a good employer with cooperative labor relations. The regional and political embeddedness of BellSouth, therefore, created an incentive to work for labor peace and cooperation.

The second source of institutional support came from the peculiar shape of labor market institutions. The southern Bell companies fiercely opposed unionization in the 1940s and 1950s until a major and violent strike in 1955 damaged the company's reputation. In the 1960s, labor-management cooperation was sought, and opposition to unionization became less viable because the entire Bell system was increasingly unionized. National pattern bargaining across the Bell system emerged informally in the 1960s and was formalized in the early 1970s. As the institutionalization of the union became inevitable, BellSouth increased its efforts at cooperation. Labor-management cooperation was a more effective union strategy than traditional militancy because the anti-union environment of southern states coupled with 'right-to-work' laws significantly weakened the power and legal rights of unions.

Building trust was in the mutual interest of both parties through the 1980s, even after divestiture, when BellSouth could have chosen a different route. In 1986 negotiations, BellSouth was the only one of seven R.B.O.C.'s to agree to the union demand for region-wide (rather than more decentralized) bargaining. In 1989 and 1992, the company and union undertook joint training in team building and 'mutual gains' bargaining. All three rounds of bargaining produced contracts without significant opposition. A deep history of mature bargaining and trust, therefore, allowed the union and management to join forces in implementing Total Quality and team-based work systems in the face of significant cost-cutting and downsizing pressures.

Now that BellSouth is entering long distance and national markets, the company's reliance on regional business will decline over time. The 1996



Act also reduces the importance of regional political ties. These changes could lower concerns about maintaining employment levels.

The emergence of a dual labor market structure – a unionized sector in the former Bell system competing against a new low-wage, non-union sector of competitors – puts significant downward pressure on labor standards at BellSouth. Indeed, in 1995 the company announced workforce reductions of over 11,000, of which roughly half are union jobs. The joint total quality program, which continued to expand until 1994, began to plateau as management focused more on macro-level reengineering and consolidations. While 1995 bargaining focused on negotiated early retirement and severance programs, resources for total quality were severely curtailed, and future support for jointly-sponsored work innovations is uncertain.

## **Conclusion**

Meaningful worker participation in any aspect of management decision making requires a certain measure of leverage on the part of both employer and employees, so that collaboration has a stable basis, and neither party views it as merely a temporary or short term expedient. There are, of course, many examples in the United States of nonunion employers involving their workers in extensive participatory schemes of various kinds. But the lack of a wide-spread and uniform mechanism for worker representation means that – almost by definition – these cases vary tremendously across work places, companies and industries, and over time. It is therefore very difficult to draw systematic lessons from such cases, which reinforces our focus on the unionized sector of the economy. Our cases are unrepresentative in that they are unionized, while most American work places are not.

Having introduced this caveat, it nevertheless is clear that the Saturn and BellSouth cases represent the most impressive examples of worker participation in management in their industries, and among the most extensive in the U.S. economy. In both cases, the union and workers, through their participation, clearly add value – which was indeed one of the ideas underlying the development of both partnerships in the first place. At Saturn union leaders bring substantive expertise and an independent perspective to problems, increasing the quality of decisions made in various joint committees and forums, from shop floor teams to the Strategic Action Council. Once reached, consensus decisions at Saturn are quickly and effectively implemented. The individual partnerships between unionized and non-represented Saturn employees has created a unique system of co-management.

The C.W.A./BellSouth case also provides an unusual example of how labor-management partnership can benefit the company as well as the workers and the union. At BellSouth technological modernization was not accomplished at the price of poor union-management relations, but in such a way as to strengthen that relationship, to build employee skills, increase employment security, and improve service quality.

In a sense, these innovations were facilitated by the decentralized nature of the American political economy, with its low level of institutional regulation. The measure of direct worker participation achieved in both cases would be quite difficult to attain in Germany, for instance, where it would conflict with the rules and regulations of the Works Constitution Act governing workplace level codetermination. As we have argued elsewhere, many features of the U.S. political economy are hospitable to innovation and experiment on a scale that far exceeds what appears to be possible in more regulated contexts (Wever, 1995).

But the institutional context within which the companies and unions we have considered must operate also poses significant constraints on these innovations, and calls into question both their ongoing viability and the possibility that they might be diffused to other sites. G.M., operating in a highly competitive industry in the absence of centralized employer coordination (either through collective bargaining or with respect to more general strategic issues), naturally remains wary of investments in untried practices with long-term pay-offs. The national U.A.W., representing workers at plants where cooperation is difficult to achieve, to say nothing of comanagement, naturally retains an interest in maintaining the traditional adversarially-based sources of its power.

BellSouth, facing the final deregulation of the telecommunications industry, involving new market opportunities as well as new competitive pressures, must decide whether the benefits of partnership with the C.W.A. outweigh the potential risks of failing to compete in the short term with lower-cost competitors. The C.W.A., alive to the fact that BellSouth's management may continue to scale back the partnership, will necessarily consider whether its own cooperative stance will continue to serve its members' interests as well as it has in the past.

To some extent, the future of these two impressive partnerships is contingent on the strategies adopted by the unions and companies involved. However, the U.S. political economic context does little to support strategies of partnership. This is one key reason why such innovations – clearly benefitting both labor and management in significant ways – remain isolated. In both cases, extraordinary confluences of circumstances made possible the development of impressive departures from the normal pattern

of adversarial industrial relations that characterizes much – perhaps most – of the unionized sector in the U.S. But circumstances change, leaving both partnerships vulnerable to shifts in strategic goals. Such shifts may make immediate economic sense at the micro level, but they clearly undermine the longer-term well-being of employment relations and their outcomes at the macro level.

## Notes

1. This problem has been particularly apparent in the airline industry over the 1980s. This theme has also been stressed by executives from that industry (Craviso, 1993). For a comprehensive review, see Applebaum and Batt (1994).
2. Based on conversations with members of the A.F.L.-C.I.O. Executive Board in Washington D.C., 1989, while Wever was Assistant to the Secretary-Treasurer of the A.F.L.-C.I.O. and Staff Director for the Committee.
3. Another forum in which such issues have been raised is the joint labor-management Collective Bargaining Forum, a group of union presidents and chief executive officers of large unionized companies who have met and issued reports on the desirability of increasing labor-management cooperation and labor participation in management decision making (Collective Bargaining Forum, 1991). It is unclear whether the Forum will be able to develop consensus or widely acceptable initiatives.
4. Funds for this research were provided by the M.I.T. Leaders for Manufacturing Program and the M.I.T. International Motor Vehicle Research Program. This case study is based on research conducted jointly by Saul Rubinstein of M.I.T., Mike Bennett of U.A.W. Local 1853, Saturn Corporation, and Tom Kochan of M.I.T., for Bruce Kaufman and Morris Kleiner, Eds., *Employee Representation: Alternatives and Future Directions*, (Madison, Wisconsin: Industrial Relations Research Association, 1993.)
5. J.D. Power 1992, 1993, 1994, 1995 Customer Satisfaction Index. Saturn ranked highest among all domestic car lines and third overall behind Lexus and Infiniti.
6. Based on interviews with G.M. Human Resource Management from the Saginaw and Inland Fisher Guide Divisions, December 1992.
7. This case is based on Batt (1995).

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