

## **The Light on the Hill, 1988**

### **`Skill formation' or `democratization of work'?**

**Fred Emery, October 1989**

For the past two years the notion of `work restructuring' has been at the centre of national debates. With the recent decisions of the Industrial Commission it would seem that the die is cast - the nation is set on the course of Restructuring. Having set course, all that now remains is to take off and proceed in that direction.

Unfortunately, little attention has been directed to how we take off and fly. The major focus in discussions to date has been on skill formation and the opposition of short-sighted managers and craft unionists. In focussing on this they have directed attention away from what, I will argue, is the prior and central question of why industry persists with forms of work organization that demonstrably lead to deskilling, low productivity and chronic unconcern for quality.

The simple fact of the matter is that industry employs the mix of skills that best suit its dominant form of work organization. Industry feels no need to adapt its employment structure to the mix of skills produced by the educational systems (except insofar as it might give preference to Arts Graduates for clerical jobs or give preference to degreed engineers for draughtsmen's jobs). By the same token, industry is not at all motivated to invest in creating or materially rewarding skills that cannot be used by their forms of work organization.

If one insists on skating over the surface of the matter, then it seems sensible to suggest to politicians that they restructure the educational system so that it pours out the skill mix that industry should have in the future, and offer monetary incentives to industrial concerns to retrain for this future. The reality is that employers will use graduates for their purposes; e.g., engineers as draughtsmen or classy sales representatives, regardless of the purposes of their educational curriculum. If employers introduce training schemes because of a monetary incentive, then one can be sure that most will degrade training to turn the scheme into a profit earning subsidy scheme.

There is no doubt that a different skill mix will be needed for a high technology industry. It is not at all sure whether this requirement can be met by a small core, skilled force and a mass of unskilled workers or robotic machines.

There is also no doubt that skill formation is not the critical problem. The critical problem is the introduction of a form of work organization that both demands and creates new skills for an obvious return in higher productivity.

It is the critical problem because unless it is solved there is no way that investments in skill formation will lead to higher productivity. Such investments will have the unintended consequence of protecting and bolstering the old form of work organization; of sustaining low productivity and congealing the islands of poverty and unemployment. Those investments will certainly do that because, if the demand for skilling does not arise from the felt demands of industry, of the sort that would arise

from adopting the new principle of work organization, then the investments will flow down through the bodies that have educated and controlled training for the old form of work organization.

It is the critical problem because, if it is solved, we find that enterprises and companies quickly discover the value of training and education, and quickly discover the most expeditious and cost effective ways to give the self managing work groups the knowledge and skills they need to do their job, and go on doing it despite the absence of individual members due to illness, holidays or absenteeism. Due to the learning that can be shared on the job, when employees find it in their interest, the demand for specially financed training is usually considerably less than what industrial trainers deem to be necessary, or what industry training levies, as in the UK, provide for.

The problem is critical not only for industry and its productivity but also for the structure of the labour market and, hence, the shape of society. If a modern economy like Australia's remains tied to the old form of autocratic work organization then productivity will continue to yield lower returns to capital than interest rates. Naturally new capital will not flow into industry. Existing investments will be protected by cannibalization of the lower grade assets and minimizing the steady haemorrhaging through wages and salaries. The unions, unless they have extraordinary political clout, have little option but to protect their institutional stability by concentrating on the interests of the diminishing number of employed, fee paying members. These will tend to be the skilled workers who are hardest to replace if there are temporary business upturns. On the other hand, the employers still wish to free themselves from the organised power of the traditional skilled craftsmen. They will seek, in the new technologies, to concentrate technological decision making in the hands of the new tertiary educated technologists; people who are very willing to associate professionally but eager to strike personal employment contracts with their employers.

The picture we have drawn here is not a futuristic picture. It is what has been happening in most of the major corporations for the past twenty years (with some exceptions, to which we will come later). Over this period they have consistently shed labour whilst increasing the proportion of employees with tertiary educational qualifications, and increasingly shed, to subcontractors, the unskilled work. Subcontractors are usually less controllable with respect to conditions of employment; wages, hours, compensation etc. The net effect of these changes has been a polarization of the work force to a smaller full-time educated or skilled group and a growing mass of part time and unskilled or unemployed workers.

If this restructuring of the skill mix continues, then the social results are fairly obvious. Those with steady jobs and the incomes that go with skilled or educated employment status will gravitate to suburbs and dwelling areas of like placed people. They will live and be serviced in a social world that has minimal contact with the other more populous but poverty ridden world of the unskilled, uneducated. But it will be in a social economy that is faltering and dying.

The alternative form of work organization is the democratization of work. Quite simply it means that decisions about co-ordination of work should, as far as possible,

be made by those who are performing the work. Not made by non-working supervisors.

This is the form of work organization that the science based corporations started to recognize as the necessary future in the sixties and early seventies. They have not changed course in the eighties because they have found that it is the path that leads to increased productivity.

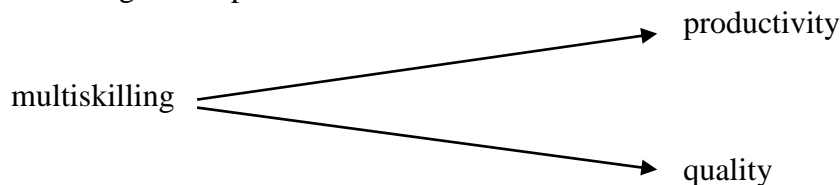
Moving along this path produces a different social world. It is puzzling, and disturbing, to see 'skill formation' now being singled out as the royal road to productivity.

This is not quite the direction that one would have expected from a Labor Government. It is certainly not the direction taken by the first Frazer Government when it formed a Dept of Productivity under the ministerial guidance of Mr Ian McPhee. It is not the direction envisaged in the unanimously adopted resolution of the 1976 ACTU national congress on industrial democracy.

The evidence that is brought forward to justify this position is less than satisfactory. It is contended that Australia needs the sort of skilled work force that exists in Sweden, West Germany and Japan. It is forgotten, or overlooked, that those countries had that sort of skilled work force in 1970 but found that they could not get commitment to productivity from their work forces, and hence turned to democratisation of work.

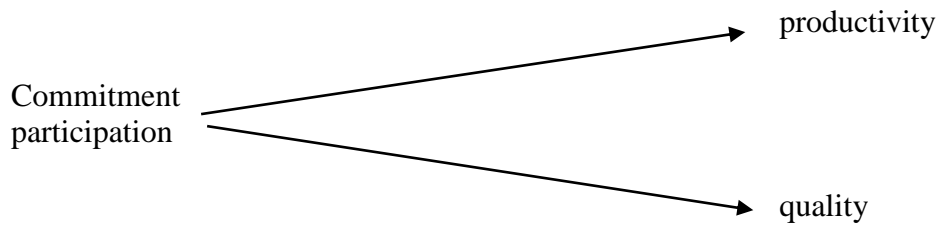
Are we so blind to history that we have to invent an Australian wheel? At a time when productivity is a national necessity, and capital is in flight from industry, it does not make sense to divert operating capital (and in the case of the teaching institutions, investment capital) to the training and education of people who are not committed to using their abilities in order to increase productivity. And the training and education provided by the institutions (and professional trainers?) will be very little related to the immediate requirements of industry. This can be summed up.

Proponents of 'skill formation' as our primary path appear to be assuming the following causal pattern:



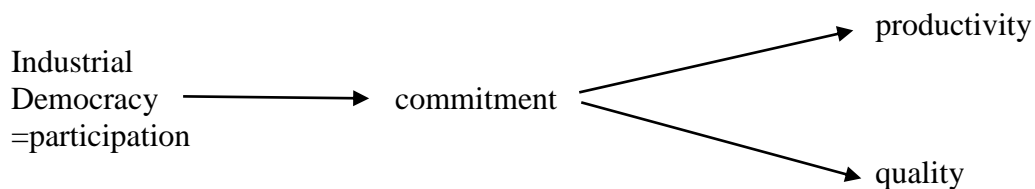
If the traditional work organization remains in place, then this is a thoroughly disproved hypothesis. Within that structure industrial engineers know that profits come from following Fred Taylor's dictum about specializing and de-skilling the work force, and paying accordingly. The skilled workers know that their economic security rests on having a mass of unskilled labour. We are simply back where the Swedes, Germans and Japanese were before circa 1970.

In the 1960s, that is almost thirty years ago, the Swedes, Germans and Japanese had already seen that the basic causal structure was as follows:



It would be foolish to pretend that this was the first time that this understanding was widely accepted. It was very prevalent after World War 1 and even more so after World War 2.

In both cases an over riding national need for greater industrial productivity brought about an awareness that production was critically related to employee attitudes. The first major solution was to extend to employees the right to vote for representatives to present their views to management; Works Councils, or, in the British Civil Service, Whitely Councils (1923-). This was seen as 'industrial democracy', and in many European countries after World War 2 was introduced by legislation for government owned and large private enterprises. The causal model this proposed was as follows:



These schemes actually produced commitment; commitment of a new breed of worker politicians to gaining and preserving positions on the Works Councils as a desirable alternative to time otherwise spent in labour, without any recognition as someone special. No one has been able to document improvements in productivity or quality that could be surely attributed to the establishment of these representative worker parliaments.

After World War 2 there were two alternative and very popular hypotheses about how to create employee commitment, and hence raise productivity and improve the quality of output.

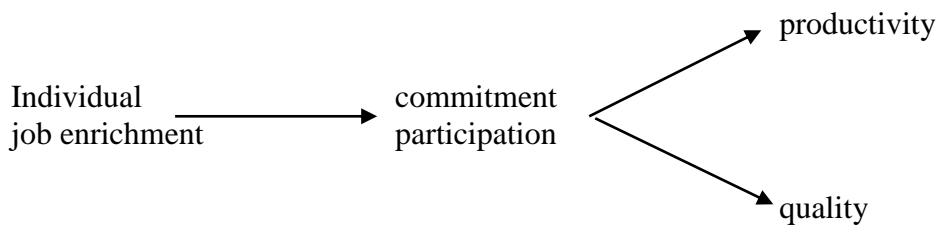
The first, owing much to Elton Mayo, the famous Western Electric experiments and the so called Human Relations movements, was that the humanization of the foreman - worker relation would create the desired level of worker commitment:



This idea got nowhere. Whatever the foremen learnt in their human relations training had then to be adapted to what was demanded of them on the job. The best of the foremen responded to the training and then resigned in disgust at the managers who

had sent them on the training courses but had no willingness to change the traditional work organizations.

The 1960s fad, after 'Human Relations', was 'individual job enrichment' usually associated with the name of Fred Herzberg. Herzberg had accepted the experimentally established facts that humans are more prepared to commit themselves to completing a task if the task offers a variety of challenges and opportunities to learn new things. (Conversely, that they are turned off if the task is simply a repetition of well learned skills.) He hypothesized that if employees were given enriched tasks (requiring multiskilling!) they would be more committed to doing better and more productive work:



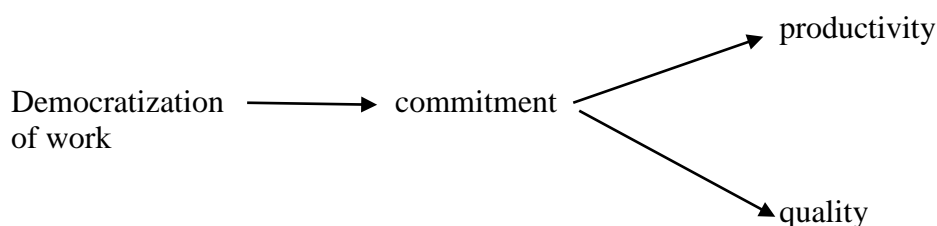
Herzberg's ideas were widely applied because at that time, the mid-sixties, the decline in productivity was becoming very apparent to the major corporations, particularly those with high investment to labour ratios.

Job enrichment schemes often produced good initial results. There is not a well documented case of any such schemes surviving the honeymoon period.

These schemes always accepted the basic framework of the traditional work organization (which might explain their temporary popularity in the United States). Within that framework they sought to equalize task benefits by robbing Peter to pay Paul. That was bad news for the Peters of the skilled labour fraternity. It was also an arrangement that could be overturned by management overnight. It was no basis for an employee to respond with any deep lasting commitment to company goals, let alone concern him, or herself, with productivity or quality.

It was out of this series of false starts that there emerged the hypothesis that employees might accept commitment to the achievement of corporate goals of greater productivity and better quality if they knew that they had a real say in how their part of the job was done (whether their part was production, storing, R & D, accounting, delivering, marketing or managing).

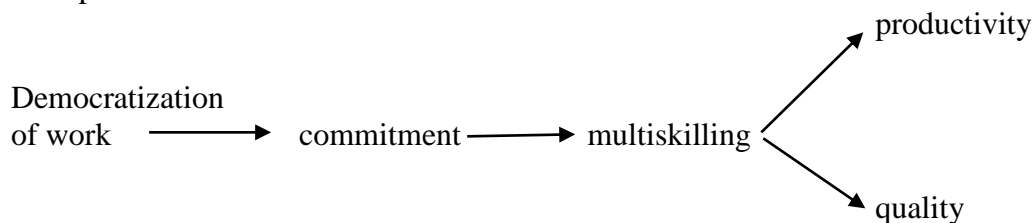
Here the concern was not to ape the forms of representative democracy. It was not a call for a replay of so called Industrial Democracy, a proven false path, but a call for the democratization of work itself.



The democratization of work can only be achieved by allowing to those who are responsible for doing a job the power to decide how they can best coordinate their efforts. If they are denied that power then they cannot be held responsible for the outcome of their joint efforts and hence can take no responsibility for the outcomes. They can often be made responsible for their part but not for whether it fits the other parts.

The matter does not stop there.

If groups of workers are given responsibility for a group task, then they will usually require a degree of multiskilling that is far beyond what has been required for traditional work organization. In the absence of adequate multiskilling their commitment to work goals will normally lead then to far outstrip traditional work forces in productivity and quality. With multiskilling the difference should be multiplied.



We are now focussed on a pattern of causal determination that is well proven in practice. There are here none of the gaps in explanation that characterize fads in organizational development. There is no scientific problem about what should be done to rectify the social problem of low productivity and poor quality of products.

There is obviously a social problem in the changing of traditional work organization; right here in Australia, 1988. It is obviously a problem of 'who is going to bell the cat?'

In response to the views outlined above it has been argued that I have failed to grasp the new dynamics in the workplace that follows from the Restructuring Agreements:

The point I argued is that agreements about broadbanding of job classifications are spurious agreements unless there is a prior agreement to democratize the workplace. The spuriousness of broad-banding agreements that are not underwritten with such a commitment will quickly appear in the hard realities of the workplace. People in the workplace, managers as well as workers, will just become more cynical and distrusting of their leaders; of the Arbitration Courts for registering such agreements and of the politicians who dictated the process.

If the politicians and civil servants involved in forcing industrial restructuring 'down from the top' were serious then they would insist that the Arbitration Courts not register such agreements until they were satisfied that there was a genuine commitment to new forms of work organization. The traditional forms of work organization would simply become slacker and less efficient if they adopted broadbanding. Any gains from elimination of old restrictive work practices and erosion of the prerogatives of skilled workers would be short lived as the costs of worker compensation and quality defects rose.

I have argued that the new forms of work organization need to be more democratic so that they will generate a workforce committed to productivity and quality of the product. It would not seem appropriate that the Courts be directed to favour any particular new form of work organization. They should simply insist on evidence that whatever new form is suggested it will produce gains in productivity and quality control that more than offset costs of broadbanding. If valid alternatives to democratization of the workplace emerge, then so be it, as far as the Courts are concerned. Others can confront the implications.

It could well be that the Arbitration Courts will be proven to be incapable of assessing whether broadbanding agreements are genuine. Under the restrictions of what were termed to be 'managerial prerogatives' the Courts have always, in the past, excluded consideration of such matters and developed no relevant expertise. If the Courts fail in this, then it will soon become apparent and, in any case, it would simply mean that the matter returns to the enterprise level, and that yet one more 'revolution led by politicians' has failed. How then should we proceed?

Within my perspective multiskilling is usually, but not necessarily, an element of job redesign. Where multiskilling emerges there may emerge a skills based career path. At lower levels of technology multi- skilling means no more than training on the job - no special agreements or training investments are needed. Even at higher levels of technology that require some off the job training in techniques or skills (e.g., forklift truck driving repair work and word processing) the range of work may justify nothing more than payment for possessing a range of proven skills. Those considerations fall far short of defining a career.

If we look at this matter from the position that I am espousing what do we find? We will find that multiskilling, reward for skills possessed, and possibilities for career structures emerge as elements of job redesign, at some levels of technological complexity. There are four steps which I would consider as essential if restructuring is to achieve its stated aims:

**Step One:** Before even considering what award amendments they will submit to the Courts, management and workers need to explore, in very concrete detail, what could be achieved in the various parts of the enterprise from transferring some managerial responsibilities and authority to the workforce; i.e., from moving toward an organization based on self managing work groups. Generally speaking this will require some form of 'participative design workshop'; for the simple reason that there is no traditional form for such consultation.

**Step Two:** If there is agreement between the workers and management in the enterprise that there are significant gains to be had from a redesign then, there needs to be further agreements with respect to:

- the degrees of autonomy that should be allowed to each work group (it will vary). The limits will usually be specified in terms of production and quality targets and controls over group membership;
- the levels of multiskilling required for the group to meet its targets at minimal levels of manning and labour reserves.

- how the increases in profitability are to be shared. There are only two practical ways to approach this problem. A group bonus system can be established, leaving it to the group to decide on the distribution; or, payment can be reviewed regularly, as it would be in ordinary labour negotiations, and levels of attained skills would determine distribution within the group.

These are matters that have to be considered together. They cannot be dealt with in isolation of each other.

**Step Three:** If, and when, such agreements or understandings have been arrived at then consideration can be given to seeking binding agreements from the Courts.

**Step Four:** Regardless of whether Court Agreements are gained on broadbanding of job classifications, the enterprise agreements on the other matters will require management to re-define career structures for foremen and, most likely, for middle management. (I simply note, in passing, that officers in the Norwegian merchant marine fleet practically always came up through the ranks. That fleet competed rather well in the international market.)

It seems quite crucial for these developments that the role of supervisor be not only re-defined in terms of content; i.e., from control to co-ordination but re-defined in status as the first step in a managerial career. We will also confront a marked reduction in middle management positions and hence a reduction in promotional opportunities. The reduction in middle management positions is not forecast as a consequence of the new information technologies, although that might be a factor. It is forecast as a consequence of the shift from bureaucratic to democratized work organizations.

The design principle<sup>1</sup> of bureaucracy is that the decisions about co-ordination are always located at least one level above that at which the work is actually performed. Only thus can the work of each subordinate be subjected to the control and judgement of his superior. This applies at every level in a bureaucracy and hence we find that a large proportion of middle management jobs exist simply to supervise subordinates without contributing materially or directly to the work of the organization.

In these remarks I have simply tried to point out that whilst the arguments for focussing on skill formation can be elaborated at length the fact remains that such discussions are academic unless we can define the context in which people are motivated to use the skills they have, or command. I am not criticizing the political decision to offer wage incentives for those who engage in industry restructuring. I am critical of industry consultants who recommend the short cut of skill formation with the wishy washy expectation that job redesign will naturally follow.

## Reference

Neumann, J. (1981). Why People Don't Participate when given the Chance. *Industrial Participation*, No.601, Spring,.6-8.

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<sup>1</sup> Fred had 'system principle' in the original but this usage caused confusion between the 'system principle' that defines the relationship between system and environment (Angyal, 1941) and the genotypical design principles that define organizational structures.



## Appendix

Research undertaken by the Tavistock Institute of Human Relations challenged the usual assumption that people always welcome participation. The reasons why it makes sense to an employee not to participate were investigated; several categories of explanations, other than personality, were identified. These broadly were structural, relational and societal. Some examples of when people do not participate are when: the organization's real decisions are made outside the participative forum; rank and status continue to be more important than competence and mastery; past and present adversarial politics have led to protection of self and others.

**Comment:** The first two examples confirm our long standing belief that people can tell when they are being deceived and manipulated. Under such circumstances they would be crass optimists or mugs to go along with management's plans.

The third example simply confirms the decision we, and the Norwegian employers and trade union leaders made in 1962 - you can forget about democratizing work if matters of gross 'industrial injustice' are still unresolved.