

# ESSENTIAL COMPONENTS in WORKPLACE DEMOCRACY<sup>A</sup>

by  
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This article summarizes a book-length study<sup>C</sup> which compared 50 cases of workers' participation in enterprise management across 15 countries, ranging from complete workers' control and ownership of their enterprises on the one hand, to partial degrees of influence by workers in the management of private, state-owned, or community-owned firms, on the other. That comparison study aimed to discover what concrete experience might reveal to be *minimally necessary* for workers to democratically manage an enterprise successfully, over the long term. The answer we discovered was that five additional mechanisms (that is, in addition to WORKER PARTICIPATION IN MANAGEMENT-LEVEL DECISION MAKING) are necessary for enterprises to sustain internal<sup>1</sup> democracy over the long run. Those five additional mechanisms are:

1. **Frequent feedback of varying economic results** to all employees (in the form of money, not just information);
2. **Full sharing with employees of management-level information and**, to an increasing extent, management-level expertise;
3. **Guaranteed individual rights** (corresponding, it turns out, to the basic civic political liberties);
4. An **independent board of appeal** in case of disputes (composed of peers as far as possible);
5. A **particular set of attitudes and values** (a specific consciousness).

Although the *forms* of each of those five mechanisms might vary

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<sup>C</sup> *Workplace Democratization: Its Internal Dynamics* by Paul Bernstein [Chelsea, MA: Educational Services Publishing 2012]

<sup>1</sup>Numbered notes appear on pages “518” & “519” near the end of this article.

across different companies and countries, it turned out that *all* the components must be present in some form within each enterprise — and must be functioning robustly — if democratic management in the company is not to weaken and decay. A major reason for that fact is that *each component's functioning reinforces the other components; and each depends upon the healthy functioning of all the others*, as shall be seen in the remainder of this article. (The cases and their source-descriptions are listed in the Appendix table on page “516”, near the end of this article).

### ***Understanding the Varieties of Participation***

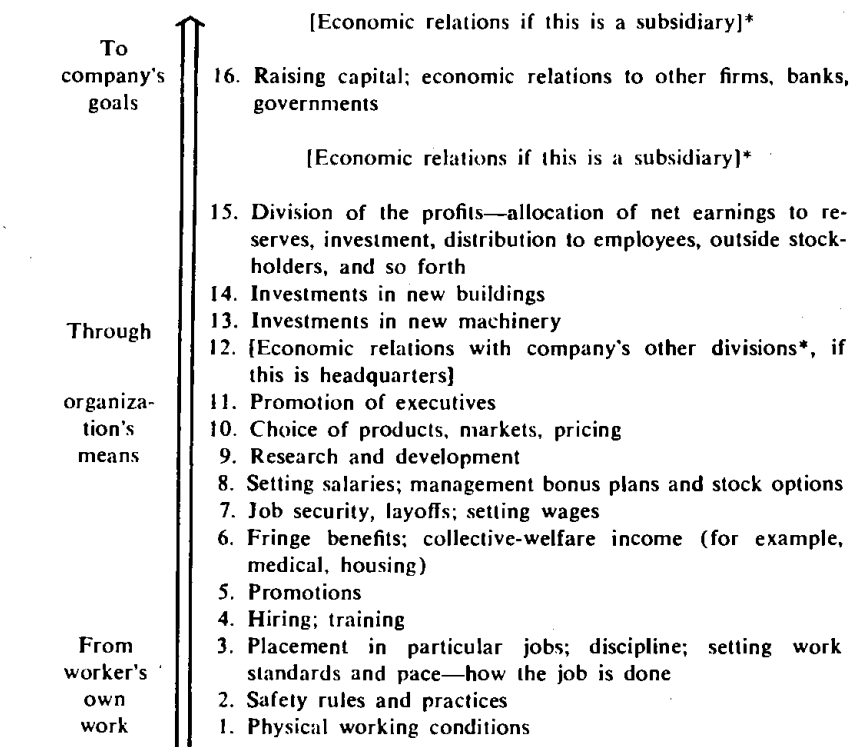
Firstly, much confusion can be avoided when examining worker participation if we keep in mind that each particular instance manifests along three dimensions:

1. the ***Degree of Control*** employees enjoy *over any particular* decision;
2. the particular ***Issues*** over which that control is exercised;  
and
3. the ***Organizational Level*** at which their control is exercised.

For example, French law requires one or two workers to serve on the highest company director board, but worker participation in decision-making at levels *below* that in French companies is not simultaneously guaranteed (levels are tracked on the third dimension listed above, “*Organizational Level*”). As a result, the average employee's participation where s/he actually works (e.g., at the bottom of the company directly in the shop or office) is hardly improved at all by that law [Sturmthal 1964]. Likewise, many ‘job-enrichment’ plans develop worker decision making *only* at the bottom level (within the worker’s immediate shop or office task), while managerial prerogatives at higher-up levels are left unchanged [Jenkins 1973, chapter 12]. Therefore, an effective plan for workplace democracy must take into account the need for worker influence at *several* levels of the organization. Participation at the *top* can protect and broaden participation on the plant floor. And participation at the *bottom* can increase the interest and support workers will give to their representatives on the top director boards, and also can strengthen those worker-representatives' power vis-a-vis the other directors.

The significance of the second dimension listed above, the *Range of Issues* over which workers decide, becomes apparent when one examines collective bargaining as it is generally conducted by U.S. unions. Issues relating to safety, dismissals, wages, and fringe benefits are fought for fiercely. But issues such as choice of product, company investments and

selection of managers are explicitly left to management, by terms of the same collective bargaining contract [Lynd 1974]. By contrast, in certain worker owned plywood cooperatives in the Northwest, workers decide not only on their pay rate and safety questions, but also on the annual distribution of the company's profits and the selection of management personnel [Bernstein 1974; Berman 1967]. Figure 1 illustrates the general range of issues available for decision making in the modern firm, conceived as extending along a continuum from the worker's own immediate sphere of activity (issues 1-7) to the company's overall goals (issues 15-16). In between these poles are the issues which arise as part of the company's means to achieve its goals.<sup>2</sup>



\* Economic relations with company's other divisions—this factor's rank varies according to whether the establishment in question is the headquarters or a subsidiary. If the latter, there may be conflict about whether its relations with the home office should be ranked first or third, particularly in multinational corporations [Vernon 1971].

Figure 1. DIMENSION 2: Range of Issues over which Control May Be Exercised.

It is perfectly possible for participation to begin at the lower end of the scale and to expand to broader and higher company questions. Some early cases of worker participation in U.S. firms exhibited this kind of development [NICB 1922, pp. 40-43], and a few contemporary advocates of workers' control argue for this as a strategy [Craft 1974, p. 4; Gorz 1967]. By a clear understanding of the interrelatedness of these issues, present-day unions could facilitate worker control by expanding their collective bargaining demands from what they now consider "workers' issues" into the realm they have usually abdicated under the rubric "management issues."

The one dimension remaining to be presented concerns the degree of control employees exercise over any given decision (Dimension 1), leaving aside the specific issue and level of organization at which the decision is to be made. It is here that many common labels are sometimes confused and used in overlapping ways: consultation, joint management, codetermination, and so forth. In order to clarify the situation, the various kinds of participative decision making have been arranged in Figure 2 along a continuum from least to greatest control by workers, describing the actual process of decision making in each case in the left-hand column, paralleling the list of common, broader labels on the right-hand side of the chart.

An example of the most minimal form of participation is the suggestion box, common in conventional work situations. Because it lacks face-to-face communication and frequently does not include even a response by management, this form has been placed below the threshold of *regular participation*. (It is included at all because it is considered by many managing personnel to be a form of soliciting worker input into company policy, and indeed it is, in its very limited way.) Above this threshold lies the realm of "consultation," where managers seek the opinion of a group of employees on certain questions and may be influenced by the workers' collective recommendation (for example, in Rensis Likert's "System 3" type of management [1967: 13-29]). However, since managers are still the ones who initiate these consultations and because they retain full power to accept or reject the employees' decision, this form of participation is placed below the threshold of what we consider truly *democratic* participation.

Above the second threshold, employees initiate criticisms and suggestions on company policy, most of which actually are incorporated. In this realm are all the more advanced degrees of worker participation in decision making: joint management or codetermination and full self-management. The structure usually relied upon in this realm is a representative council or committee elected by the workers, in whole or

ACTUAL FORMS AND PROCESSES

GENERAL LABELS

- 7. WORKERS' Council or Assembly SUPERIOR to managers<sup>1</sup> (and if outside constituencies have representatives in this body, they must be approved by the workers)<sup>2</sup>
- 6. Joint Power or PARTNERSHIP (workers and managers codecide on joint board)
  - many different voting proportions exist
    - 50-50<sup>4</sup>
    - 3-4<sup>3</sup>
    - 1-2<sup>4</sup>
- 5. Workers wait until management has decided: then may VETO OR APPROVE; if veto then management submits modifications<sup>5</sup>
- 4. MANAGER DELEGATES some decisions generally to workers, reserving ultimate veto which is rarely used<sup>7</sup>
- 3. Workers initiate CRITICISMS AND SUGGESTIONS and discuss them face-to-face with managers. Latter still have sole power to decide, but usually adopt workers' proposals<sup>8</sup>
- 2. Same as immediately above but managers usually reject workers' proposals
- 1. Managers give PRIOR NOTICE of a change, workers have chance to voice their views and perhaps stimulate reconsideration<sup>9</sup>
- 0. Impersonal SUGGESTION BOX System; managers accept or reject without giving reasons<sup>10</sup>

FULL WORKERS' CONTROL or "SELF-MANAGEMENT" (WORKERS' AUTONOMY)

JOINT MANAGEMENT or "CODETERMINATION"

COOPERATION or "COINFLUENCE"

"CONSULTATION"

Threshold of→ democratic participation

Threshold of→ regular participation

Illustrative cases:

<sup>1</sup>U.S. plywoods <sup>2</sup>Czechoslovak state-owned enterprises 1968-1969 <sup>3</sup>Czechoslovak mines 1921-1938 <sup>4</sup>West German coal and steel industry 1947 <sup>5</sup>Schuchman [1957] <sup>6</sup>U.S. labor unions <sup>7</sup>Heller and Rose [1973] <sup>8</sup>Most Scanlon Plan firms, United States, and safety rules committee in Gouldner's Gypsum Company <sup>9</sup>Likert [1967] <sup>10</sup>Lesieur [1958]

Figure 2. DIMENSION 1: DEGREE OF CONTROL, that is, Amount of Employees' Influence over Any Decision

in part, from among their own number. Members of the council continue to serve in their regular jobs and generally receive no extra pay unless their council meetings are scheduled after regular working hours. The council meets, often with professional managers, at a frequency that varies from weekly to monthly. In addition, the entire workforce of a shop, office, or department may assemble frequently to discuss matters appropriate to their own unit, with or without their supervisor. In some companies a general assembly of all employees convenes once or twice a year to consider overall, long-term matters [Berman 1967; Sturmthal 1964; Lesieur 1958].

Collective bargaining is included above the threshold of truly democratic participation because through it unions exercise real power over decisions basic to the firm (decisions which, at one time, were the sole prerogative of the employer) [Derber 1970; Sturmthal 1970]. The argument occasionally raised against considering collective bargaining as a form of worker participation in decision making either must refer to the bureaucratization of unions or to the restricted number of *issues* commonly decided on through this mechanism—the latter reflecting Dimension 2, not the present dimension which measures only the *degree of influence* over any single decision.

For greater clarity it is possible to bring these two dimensions together graphically, capturing the simultaneity at issue. Figure 3 is one

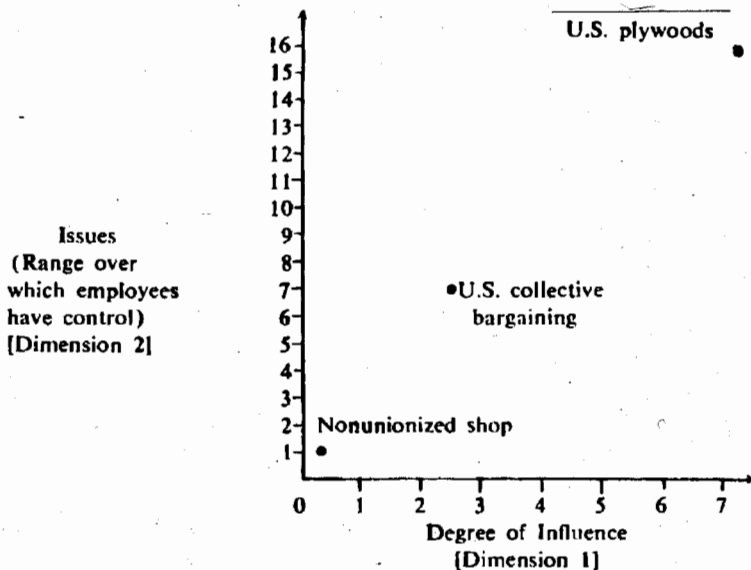


Figure 3. A Simultaneous Comparison of Cases along Two Dimensions

such graph. There it can be seen that although U.S. unions exert less influence than the employees of a fully worker owned plywood cooperative, they still exert a great deal more influence over several issues than do workers in an average nonunionized shop.

Below collective bargaining and other forms of joint management lies a complex area of *de facto* but not *de jure* workers' control (form 3 in Figure 2). Here the vast majority of employee suggestions and criticisms do become company policy, although managers retain a formal right to reject any of these decisions. Cases with this degree of influence are several of the Scanlon Plan firms [Lesieur 1958, p. 49]. When, in any particular case, *de facto* conversion of employee recommendations into company policy falls below 50 percent in frequency, that case has crossed below the threshold of democratic participation (has moved from form 3 to form 2 in Figure 3).

These three dimensions seem to identify the main characteristics of any structure of worker participation in decision making. The methodology of this research was not designed to find one best system for all occasions, but to identify what caused certain systems to fail and others to succeed.<sup>3</sup> In so doing it was discovered that participation covering any combination of the three main dimensions was usually adequate as a start to more advanced degrees of worker control, so long as it began above the democratic threshold on Dimension 1. However, several other components were found to be necessary for the bare structure of participation to become an on-going, self-reinforcing system of employee power.

Before discussing those other components, it will be useful to clear up one question often posed about the "degree of democracy" in workplaces, namely: Is it necessary for *all* employees to participate in decision making for a system to be democratic? Obviously different ideologies will present different standards. The concrete cases examined for this research (representing several ideological traditions) suggest that active participation by each and every worker is not necessary for the rank-and-file to exercise real accountability over company decisions. Nevertheless, striving for full participation is likely to add benefits to the personal development of individual members, thereby accomplishing the overall goal of humanization of the work experience.

Sometimes overparticipation has occurred. In these cases workers noticed the general efficiency of their firm to be declining and discovered the cause to be too many interruptions of the administrative process on minor details, or too much time spent by the collective on decisions better delegated to individuals. The group therefore chose to reduce participation on some issues and at some levels of the organization, while re-

serving their power for overall policy decisions and monitoring—but not frequently interrupting—the performance of appointed supervisors and department heads [Berman 1967]. The lesson, apparently, is that for maximum benefit to the collective there is a particular mix of *managerial authority* and *democratic control*, the precise proportions of which have to be found by each case through its own experience.

### *The Other Necessary Components*

As stated earlier, the data show that for participation to be maintained other components are necessary. This research was guided by the customary scientific principle of parsimony, so the least number of additional elements that seemed to explain success and failure of participation was selected. Elements that did not prove absolutely essential, although in some cases they enhanced the system marginally, were left aside. In subsequent research those latter elements may be added to the model established here.<sup>4</sup>

Five elements emerged from the comparison of case histories as minimally necessary to support participation: (1) employee access to and sharing of management level information; (2) guaranteed protection of the employee from reprisals for voicing criticisms (plus certain other rights); (3) an independent board of appeals to settle disputes between those holding managing positions and those being managed; (4) a particular set of attitudes and values (type of consciousness); and (5) frequent return to participating employees of at least a portion of the surplus they produce (above their regular wage).

These five elements or components are necessary not only individually, but also depend on each other, cybernetically, to feed back and reinforce the whole system. This is why the search for a minimal list arrived at no less than five (plus participation itself, which represents a sixth distinct component). Any empirical case of workplace democratization with less than this minimal group failed to sustain itself for more than a few years. (Explanation of such failures will be presented later; see also Bernstein [1976, chapter 3 and Part II].)

#### *First Additional Component: Sharing Management Level Information*

Obviously, if employees are to decide on issues extending beyond their immediate tasks, they need information on those more distant areas. Technical information that heretofore only the company engineers were familiar with must now be available to them. Economic informa-



tion that previously only the accounting and finance departments were concerned with must be made available as well. If such information is not forthcoming when employees feel the need for it, not only is frustration on that issue likely to result, but also employee confidence in the entire comanagement system may disappear. This is what occurred in the Belgian attempt to create meaningful works councils after World War II. When the crucial component of management level information was withheld from workers by reluctant managers, workers withdrew from further attempts at participation and the system essentially died [Potvin 1958].

To be supportive of democratization, it was found the amount of information available to employees must be *at least* what *they* feel they need for adequate decision making. (This is why demands raised by unions such as the United Auto Workers for corporate books to be open to employees by right make sense in a strategy for democratization.) But firms committed to democratization go beyond this. Rather than passively *allowing* worker participants to find out crucial information, they actively establish mechanisms to keep all participants informed and to assist their utilization of this information. Written reports on the performance of each department and the state of the whole enterprise are distributed, as are written reminders on issues approaching a decision point [Flanders et al. 1968; Blum 1968; Bernstein 1974]. Also, those occupying manager positions remain available for frank questioning by other participants, not only in formal meetings set aside for that purpose but also as an accepted custom whenever chance encounters arise.

Up to this point we have been discussing the *availability* of information. Just as consequential a factor is the employees' *ability* to handle the necessary information. Obviously, in the beginning stage of democratization many employees may be, or may feel themselves to be, ill prepared for handling all the requisite data. This fact points to the need for specific training to precede, or at the least to accompany, any consciously implemented plan of democratization. Swedish unions have established such training courses as their country moves toward greater worker participation [*Business Week* 1972], as has Yugoslavia [Gorupic and Paj 1971]. Besides on-the-job training, changes within the basic educational system will probably be necessary to facilitate workplace democratization in the United States, for there is evidence that school experience deeply affects how young people later approach their jobs and careers, including how they approach authority figures at work [Behn et al. 1976; Freire 1970]. In addition, the experience of democratization itself can develop participants' abilities to deal intelligently

with the requisite complex information [NICB 1922; Jenkins 1973]. Just how well this occurs in any particular case seems to depend in part on how committed are the workers' own leaders and the firm's managers to developing all employees' business expertise and participatory skills. (Such a commitment by leadership is considered here to be part of the necessary component of consciousness, discussed below.)

Serious problems can arise in the practical implementation of the informational component. Space permits only identification and brief presentation of possible solutions to these difficulties (more extended discussion can be found in Bernstein [1975, chapter 6]). One problem is that of industrial secrecy, at least whenever workers' control is implemented in a market economy.<sup>3</sup> In such a situation, firms may still need to prevent certain technical data and financial plans from being released to other firms if they are to retain a competitive advantage. Swedish unions and employers have designed a clever solution that allows managers to request the withholding of disputed information, but leaves ultimate release power in the hands of workers' elected representatives [Bergnéhr 1975]. By contrast, systems which allow *managers* to retain this ultimate power are likely to weaken democratization, as the German codetermination firms have found [Blumenthal 1956].

A second problem in the operation of the informational component is that employees may not make use of available information on issues of less than immediate, personal interest to them, that is, on issues besides wages and physical working conditions [Gorupić and Paj 1971]. This is a problem of citizen participation common to all democracies, societal as well as intraorganizational. One means for solution in the workplace is for managers and the workers' own elected leaders to make clear to participants how the areas they have been ignoring do relate directly to the areas of their immediate concern. This kind of communication was observed to be effective in several of the U.S. plywood cooperatives [Bernstein 1974].

A third problem in information sharing can be the reluctance of some managers to abandon their former habits of prerogative and secrecy. This is especially likely where democratization has been forced on them (as by national law) or in the early stages of democratization when old habits and fears are still governing a great deal of managers' (and others') behavior. Although much information may be circulating to participants, certain crucial bits may be imparted only vaguely or held back entirely by individual managers, and this may reduce the overall effectiveness of the participation system. Here again, part of the solution lies in the consciousness of those occupying managerial posts, a topic dealt with below (see Table 2).

Finally, there is the problem of managers' continually greater expertise on certain issues in contrast to the managed, even when full information is provided. This is an inevitable situation flowing from the division of labor and time inherent in any complex group endeavor. Although there seems to be no neat, final solution to this problem, certain experiences in workers' control are worth noting. *Rotation* of employees into managerial posts certainly increases the expertise of the total working group, as has been observed in Israeli kibbutzim [Fine 1973; Tabb and Goldfarb 1970] and the U.S. plywood cooperatives [Berman 1967; Bernstein 1974]. In the advanced forms, where a workers' council is superior to the specialized managers (form 7 on Dimension 1, Figure 2), it may be sufficient that at least these council members have gained an expertise nearly equivalent to the full-time managers. So long as these council members continue to work at regular jobs in the plant (as occurs in the U.S. plywood cooperatives, for example), or are otherwise held accountable to the interests of the rank-and-file, the employee group as a whole may be functioning effectively with an expertise nearly matching that of the full-time specialists. A third possibility is for the employee group to engage a staff of experts of its own to advise it on matters where it recognizes the full-time managers still have greater expertise. Such a system would be analogous to the combination of democracy with expertise practiced in the U.S. Congress, where elected legislators engage specialized staffs for work on specific issues. U.S. unions already do this, hiring professional economists to work from the unions' point of view on issues in contention with employers [Derber 1970]. The same might be done in worker participation firms.

*Second Additional Component:  
Guaranteed Individual Rights*

Experience shows that it is not enough for participants to possess appropriate information and an ability to use it. They also must be protected against possible reprisals for using that information to criticize existing policies or to oppose proposed policy changes. And they must be free to differ with fellow employees on issues of moment. Without such protection, open dialogue and the important upward flow of suggestions and evaluations would be unlikely to occur effectively or for very long.

A clear case in point is the American Cast Iron Pipe Company: Although worker owned, it lacks real guarantees to the employees against penalties for criticism and is controlled, as a result, by a self-selecting set of managers. If criticism is voiced at all by employees it is generally outside the company [Zwerdling 1974]. Employee participation in this

company's decision making consequently has dropped practically to nil.

Other case histories also demonstrate that, to persist, a participation system must be supported by the rights commonly associated with political democracy: freedom of speech and assembly, petition of grievances, secret balloting, due process and the right to file appeal in cases of discipline, immunity of rank-and-file representatives from dismissal or transfer while in office, and a written constitution alterable only by a majority or two-thirds vote of the collective [Gorupić and Paj 1971; Lynd 1974; Flanders et al. 1968; Bernstein 1974].

Apparently the entire set of rights is necessary, not just a few, because each right depends substantially on the others for its successful operation. For example, for effective use the right to assemble and organize must be accompanied by the right to free speech. Likewise, the right to seek redress of grievances cannot be actualized significantly without the protection of workers' representatives from dismissal or transfer and the guarantee of secret balloting to elect those representatives in the first place.

A second important characteristic of this major component is that to be effective such guaranteed protection must be absolute. Scholars of these rights in the traditional societal context have long observed that the power to abridge basic freedoms is the power to destroy them [Brant 1964, p. 41]. Experience bears this out in the context of workplace democratization—the reduction of employees' rights led to the emasculation of workers' control in Soviet Russia, Poland, and Algeria [Brinton 1970; Kolaja 1965; Clegg 1971].

This system of rights is not only politically necessary for the employees, but also turns out to be cybernetically valuable for the company as a whole, expanding its possibilities for adaptive self-steering. For example, free speech not only protects individuals; it also furnishes the organization with a wider range of perceptions of its own performance. Criticism, complaints, and specialized information from employees at the bottom and far reaches of the organization can improve the accuracy with which decision-making organs at the center assess the state of their organization, its performance, and its environment [Deutsch 1963]. Free speech also makes possible an upward flow of positive proposals, actualizing the cybernetic principle of "requisite variety." This refers to the need of self-steering systems to supply themselves with several alternative views and strategies in order to cope adequately with an ever-changing environment [McEwan 1971; Beer 1966].

A major problem that arises in the implementation of this component is the conflict between individual rights and collective rights or needs.

For example, the collective need for stable administration could argue that absolute freedom of speech, organization, and so forth, is simply too disruptive, that it causes delay in reaching decisions. The individualist reply would be that to limit this freedom is to risk destroying it altogether, for a limited freedom of speech means the individual may not speak up when he or she sees fit, but only when authorities allow it—which is when they find it in their own interest. The problem is complicated further by the fact that even those democratized enterprises which aim at high individual freedom sometimes produce informal but powerful group pressures against the individual. For example, the supposedly libertarian kibbutzim in Israel admit to aiming for “a complete identification of the individual with society” [Fine 1973, p. 241]. “Tyranny of the majority” may indeed become operative in such cases.

Solutions to these conflicts will perforce be complex and subtle. Cases of democratization stemming from anarchist movements have perhaps gone the farthest toward preserving the autonomy of the individual. In Republican Spain (1936–1939 period), for example, anarchist unions held individual autonomy to be the inviolable right and limited their community authority structures by that principle [Dolgoff 1974]. A second strategy is to balance carefully the two principles as norms internalized within each participant of the self-managing enterprise. Of particular usefulness here is the balance between individual self-reliance and receptivity to others' needs (see Table 1, traits 2 and 3). Still another means for satisfying the conflicting rights of the individual and the group is the auxiliary system of adjudication we have identified as an additional, major component of democratization. To that component we now turn.

*Third Additional Component:  
Independent Judiciary*

Even though employees may be participating in decisions that affect them, they will not always agree that the rules so democratically arrived at are being applied accurately or fairly. In order to resolve such disputes, an independent judicial procedure within the firm is needed. This system differs from conventional “grievance machinery” in being broader in scope, more balanced in its power base, and more face-to-face in its implementation.

Specifically, adjudicative systems in democratized firms have the following three functions: (1) settlement of rule infractions in a just manner; (2) upholding the basic rights (those listed as additional

component 2); and (3) protecting the by-laws (constitution) of the enterprise from violation by any member, whether manager or managed.

To be able to fulfill these functions, the adjudicative system must be independent of all factions within the enterprise. Various forms have evolved in practice to ensure that independence: use of outside arbitrators or labor ministry professionals to ensure neutrality [Sturmthal 1964; Bloss 1938]; a joint tribunal consisting of workers and managers from within the firm to ensure balance [Blum 1968; NICB 1922; Derber 1970]; or referring the matter to the entire assembly of enterprise members (or representatives chosen from them by lot) to ensure judgment by one's peers [Berman 1967; Fine 1973; Dolgoff 1974]. (For further elaboration, see Table 5.2 in Bernstein [1976]).

Whichever form is taken, it is crucial that the impartiality of the adjudicative system be real and be perceived by the managed. Their confidence in the justness of the entire democratization system, not just this component, is at stake. For that reason, the inclusion of peers in the adjudicative system is of special value: Clearly, employees will cling more closely to the participation system if they know that they themselves, not autonomous managers, have the last word on how its rules are applied, how basic rights are upheld, and how the opportunities for participation are guaranteed.<sup>4</sup>

The settlement of disputes and the upholding of rights usually takes place in two stages. First, an act is committed or a person is accused of committing an act that violates one of the organization's rules. This may be handled on the spot by a supervisor's decision which identifies the violation, decides guilt or innocence, and determines punishment or acquittal, or the matter may be sent to a special tribunal for decision—in the more democratized systems. (Democratization at this stage is still rare.) Second, there may be an appeal, which more commonly involves peers in the judgment process. The employee and accuser each present their view of the incident, and the appeals board or assembly upholds, modifies, or reverses the earlier sentence. Customarily, punishments range from reprimands and warning slips (analogous to traffic citations or demerit points), to temporary suspension of one or more privileges, to expulsion. The latter is rarely invoked, least of all in communitarian situations, such as Israeli kibbutzim or Chinese communes. But in Western enterprises (such as the plywood coops) it has once or twice been resorted to in a case of repeated drunkenness.

It seems that democratized enterprises have, in general, not developed this adjudicative component as far as they have developed some of the others. In particular, some of the safeguards that evolved in the societal arena to protect the individual from unjust authority are

still absent in most democratized firms. Research might beneficially be applied to discover the value such societal principles could bring to the workplace. For example, in the first stage—rule violations—relevant principles that could be added include the following: (1) The accused is presumed innocent until the accuser can prove guilt; (2) proof of guilt must be established by due process involving judgment by one's peers (fellow workers); and (3) equal application of the laws—managers must be as much subject to the process as the managed.

In the second stage, the first two principles are already present, but fairness could be advanced in the appeal process by adding the principle that the review must be speedy, and its sessions must be open to all employees.

*Fourth Additional Component:  
A Participatory/Democratic Consciousness*

In examining prior components the importance of consciousness has been encountered several times. The various cases of democratization researched for this article indicate particular attitudes and values to be supportive of, and necessary for, effective participation by workers and managers in the joint running of an enterprise. These traits can hardly be possessed in their absolute form, but the more that each participant exhibits them, the smoother and more effective will the comanaging process tend to be. In other words, each person exhibits each trait to a degree, and the greater his/her activation of each trait the more beneficial he/she is to the success of the democratized system and the enterprise.

In addition, each trait has an *opposite* characteristic. The trait and its opposite may be conceived as paired, opposite poles on a single continuum. For example, *self-reliance* is one beneficial trait for democratization (by motivating challenges from the rank-and-file to managers' mistakes), and its opposite is *dependence*. Any individual can be located somewhere along the continuum that stretches between absolute self-reliance and absolute dependence.

Table I arrays the major traits (and their opposites) that have emerged so far from the data. Close examination suggests that these traits function together as two overall tendencies, equipping the participants with an ability to create and organize policy and an inclination to resist being manipulated. Table I therefore lists the major traits in two columns with these respective center column headings. The table also presents the opposite of each specific trait and the two general tendencies which those opposites create (outer columns of the chart).

**Table 1. Major Subsystems of Traits Enabling or Undermining Democratization**

	Relating to Outputs of the Managing Process		Relating to Inputs of the Managing Process	
	"Participatory-democratic consciousness"			
	More prone to being manipulated	II. Less prone to being manipulated	III. Greater ability to create and organize policy	IV. Lesser ability to create and organize policy
1.	Rigidity of thought		Receptivity to the new, flexibility	↔ Overseriousness, dogmatism
2.	Servility, intimidable	↔	Self-reliance, refusal to transfer responsibility	↔ Dependence
3.			Facility for compromise, receptivity to others' needs	↔ Sectarian
4.	Indifferent, unquestioning	↔ Inquisitive, interrogative		
5.	Extreme loyalty, deference, credulity	↔ -attempts to avoid distortions and preconceptions	Critical thinking: -self-critical -careful differentiation between means and ends -acknowledging inevitable limits	↔ Defensive
6.	Simplistic thinking; black-and-white outlook	↔	Expects multiple causation	
7.	Narrow time sense	↔	Seeks to analyze in depth Long time sense	↔ Superficial thinking ↔ Narrow time sense
Rough (8) summation	Compliance	↔ Resistance	Activism	↔ Passivity, abstention

Worker Participation in Decision Making

SOURCES: Paulo Freire, *Education for Critical Consciousness* (New York: Seabury Press, 1974); Robert Theobald, *Alternative America II* (Chicago: Swallow Press, 1970); Abraham Maslow, *Motivation and Personality* (New York: Harper and Row, 1954); Chris Argyris, *Human Behavior in Organizations* (New York: Harper and Row, 1954); and Paul Bernstein and Marianne White, "Democratic Mentality in the Czechoslovak Reform Movement," mimeographed, 1973.



Data from concrete experiences of democratization alert us to the fact that while these several traits and tendency systems are adequate for the *general membership* of the enterprise, an additional set of specific traits is required for those who hold leadership or managing positions in the firm. This is because the exercise of power can at each moment change the degree of democratization experienced by the rest of the firm. The crucial people in this regard are the elected leaders of the workers (such as workers' council representatives) and the full-time managers chosen by them or coruling with them. Table 2 presents six major pairs of traits crucial to these persons' behavior. The table also shows how the opposites of these six traits tend to diminish the degree of democratization experienced in the firm. One way to summarize the kind of consciousness in power holders that is positive for democratization is to say that these persons must be not only decision makers but also *educators*, not only managers but also *democratizers* [Mulder 1971; Mao 1963; Adizes 1971]. In other words, the power holder's responsibility in this system is not only to accomplish the economic task of the enterprise but also to develop the participants' ability to be more democratic.<sup>7</sup> This is not done by setting aside special occasions for "democratic exercises" or the like. Rather, it is best accomplished through the day-to-day behavior of the power holders and through their interaction with the rest of the firm's participants, as much in mundane tasks as in general policy outputs [Fibich 1967].



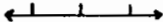
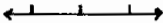
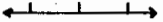
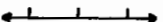

One important characteristic of the overall participatory consciousness is the internal balancing of contradictory traits. For example, in Table 1 are both *self-reliance* (trait 2) and *receptivity to other's needs* (trait 3). Without the former, initiative from below would be unlikely to arise, and it is needed in democratization for governing shop-floor tasks and for holding higher management accountable to those below on broader policies. Yet, without receptivity to others' needs, common agreements would be hard to achieve.

If these two traits (and other, similarly contradictory sets) are not successfully combined in the same individual, the organization is likely to experience factionalism as different people condense into groups predisposed to one or the other trait. On the other hand, if the contradictory traits can be combined in the same individual and this combination can be fostered in many individuals (as at least one school of psychology asserts [Maslow 1954; Theobald 1970]), then democratization will not have to depend on the rare, spontaneous occurrence of such individuals.

A second important contradiction involving the participatory consciousness is that which occurs between the basic tendency toward ac-

tivism (line 8, summarizing column 3 in Table 1) and the organization's need for stability and obedience to decisions once made. Some persons have argued that one or the other value should always take precedence, either activism or obedience [Almond and Verbal 1963].

Table 2. Additional Traits Required of Power Holders

<i>Discourages or prevents democratization</i>		<i>Fosters or facilitates democratization</i>
1. Desire to maintain exclusive prerogatives		Egalitarian values
2. Paternalism		Reciprocity
3. Belief that leader must set example by appearing infallible (tries to hide all mistakes)		Awareness of own fallibility; admits errors to managed
4. Governing from position of formal power		Governing by merit, explanation, and consent of governed
5. Mistrustful, feels all others need "close watching," hence: intense supervision, limits freedom of subordinates		Confidence in others, hence: willingness to listen and to delegate responsibility
6. Proclivity to secrecy, holding back information		Policy of educating the managed; open access to information

SOURCES: Paul Blumberg, *Industrial Democracy: The Sociology of Participation* (New York: Schocken Books, 1968); Milton Derber, *The American Idea of Industrial Democracy, 1865-1965* (Chicago: University of Illinois Press, 1970); Mauk Mulder, "The Learning of Participation," in *Participation and Self-Management*, vol. 4 (Zagreb: Institute for Social Research, 1973); Carole Pateman, *Participation and Democratic Theory* (Cambridge: the University Press, 1970); John H. Norton, "Caveats on Workers' Control," Harvard Business School Seminar, March 1974; J. W. Tabb and Amira Goldfarb, "Workers' Participation in Management: Israel," *International Institute for Labour Studies Bulletin*, no. 7 (1970); and Mao Tse-Tung, *Selected Works* (Peking: Foreign Language Press, 1963).

Others have sought to maintain both values, and some of these, such as Mao, regard the tension between activism and obedience to be an inevitable dialectic, which can be used for periodic reform of the system. Under their strategy, activism is fomented into an upheaval which is

followed by consolidation of the revolutionary values within a new authority structure. In effect, this strategy oscillates between the two values.

Another strategy which holds to both values seeks to *harmonize* the two within a *persistent* structure, allowing authority to flow upward from participants when they are choosing their managers or setting long-term policy directly, and letting authority and obedience flow downward when the elected directors make decisions which are to be carried out by the rest of the participants. In this system, activism and obedience are combined within a stable authority structure to give a *circular* pattern rather than upheavals followed by reorganizations [Bernstein 1973, p. 1; Bernstein 1976, chapters 2 and 3]."

Although often difficult to sustain at first without careful, repeated efforts [Rus 1973], the participatory/democratic consciousness appears to have great durability once firmly established in the minds of many members [Dolgoff 1974; Szulc 1972]. Space is lacking here for further consideration of the causes of growth and change in this consciousness, but it is discussed elsewhere [Bernstein 1976, chapter 9].

*Fifth Additional Component:  
Guaranteed Return from the Surplus*

Given that people generally take a job in order to receive an income (aside from having intrinsic interest in the work), it is not surprising to find that usually they demand at least a share in any surplus produced when participation leads to higher productivity (as is often the case [Blumberg 1968, chapter 6]). This demand is especially likely to occur if employees regard the time and effort they have put into participation as extra labor on a managerial level, and if they see that their participation has benefited the company by reducing wasteful policies and initiating profitable improvements. Although desire for material gain varies from culture to culture, enterprises in even the least materialistic societies (such as Maoist China or Israeli-kibbutzim) make it a practice to feed back a portion of the surplus above the usual wage to their members on a regular basis [Macciocchi 1972; Fine 1973]. Conversely, systems which fail to provide an automatic return from increases in the surplus, regardless of culture, seem unable to sustain employee participation for very long [Das 1964; Sturmthal 1964].

In practice, the return above wages can come from the annual profits of the enterprise, as in the plywood coops [Berman 1967] or from a periodic calculation of productivity margins comparing present to past performance within each department, as in the Scanlon Plan firms

[Lesieur 1958]. Some systems choose to avoid an outright monetary payment to participants and instead spend the surplus on a collectively consumable project such as construction of a recreation or health center (as in China [Myrdal 1970] or Yugoslavia [Gorupić and Paj 1971]). Yet another form has been devised in some partially democratized firms, where surpluses from increased production have been barred because management anticipates an inelastic market or because union leaders fear the precedent of a speed-up. In such cases the return from higher productivity has been distributed to employees as time off from work without any accompanying decrease in pay [Maccoby 1975].<sup>9</sup>

Whichever form the return takes, experience shows that it will not be supportive of democratization unless certain guidelines are followed. This is because the return has specific motivating effects on the participants. Unless care is taken to take those effects into account, the economic return will create cybernetically contradictory tendencies within the enterprise and reduce or eliminate participation. Five important guidelines have emerged thus far.

First, the return *must be directly related to what the employees themselves have produced and can control*. For example, in firms where the workers' decisions do not extend beyond the shop to major company decisions such as sales and investments, it would be incorrect to tie return to the whole company's profits. This is because in a year when the market declines, the return to the employee might be nil, although in his own shop the worker has put forth extra exertion and contributed to several decisions which boosted productivity in that area. If this guideline were not adhered to, the opposite possibility also would create confusion: Company profits might soar in one period because of some fortunate investment or sale of assets totally unconnected to the worker's own efforts. A larger distribution that year would tend to reinforce faulty teams as well as productive ones, and so would wash out the self-corrective potential of this feedback.<sup>10</sup>

Second, the economic return *must belong to the employees by right*. If it does not, and is instead an arbitrary award given by someone outside their control (such as a nonelected manager), then the return becomes merely a discretionary "bonus" and can be used in a manipulative, paternalistic way. This will tend to damage the participation process, in particular by reducing the values of reciprocity and responsibility found to be crucial for democratization (and detailed within the consciousness component, trait 2, Table 2, and trait 2, Table 1, respectively).

Third, the return must be *made to the entire group* of participants, managers included. If only certain individuals receive the return,

competition and resentment may be stimulated among the others, especially if they too contributed to the overall production process which registered the surplus. That will lead to fragmentation of the group, destroying the cooperative interactions necessary for joint decision making and production. By the same token, measuring and rewarding the group as a whole fosters and strengthens group solidarity. Workers and managers come to see that they are dependent on one another for future income. It becomes harder then for managers to pretend to themselves that their workers are merely replaceable units, or "just muscle." Status differences between workers and supervisors tend to decline [Brown 1958, p. 81; Jenkins 1973, chapter 12].

Fourth, the return *must be separate from the basic wage*. The necessity for this derives from the fact that the return fluctuates, since it is a feedback from varying productivity or profits. When either might fall below zero, the employee's basic wage would be reduced. Experience has shown that few employees desire to give up their conventional stable income merely for the chance of getting a high return in some periods and risking subnormal wages in others. Most persons have family obligations and other regular expenses which preclude subjecting their income to so much risk. But if the fluctuations fall *above* a secure, guaranteed level of income, then the return can retain all its reinforcing aspects for democratization.

Fifth, one particularly valuable function the return can serve is that of an *informational* feedback, separate from its monetary reward character. If the return comes frequently it can usefully inform the participants of the immediate consequences of their efforts. When the surplus declines, participants are alerted to look for problems causing the decline; when it rises they may take that as one indication that their endeavor is functioning well. For this reason some firms like to calculate and distribute the return on a *monthly* basis [Puckett 1958, p. 76]; less frequent intervals may also work, but quarterly is probably the limit for retaining the informational value of this component.

The lessons summarized in these five guidelines dispel the confusion sometimes generated when this economic aspect of democratization is compared to conventional profit-sharing or bonus incentive plans. In profit-sharing, employees receive a return from the surplus, to be sure, but since they are not in control of company decisions which affect the size of that profit, participation toward enlarging the profit is not directly reinforced. Furthermore, persons who have not put forth any extra contribution are rewarded as much as those who did. The feedback thus becomes a random reinforcer, and, not surprisingly, many firms with profit-sharing schemes consequently report no long-term

boost in productivity [Sorey 1975]. Employees also are no better informed under profit-sharing about their unit's contribution to the firm, and managers do not receive helpful suggestions from employees when profits decline.

Incentive schemes, a different phenomenon [Fein 1972], also fail to produce the results observable in democratized firms because such schemes usually reward only the individual. This not only tends to produce fragmentation, but also actually may lower productivity below what it was before inception of the scheme, because peer pressure discourages workers from standing out visibly in management's favor. The adversary relationship which places labor on one side and management on the other begins to be transformed in democratization, but it is by and large retained in the incentive bonus system, and there maintains peer pressure among workers against cooperation with management.

#### *What about Ownership?*

Analysis of empirical cases indicates that transfer of ownership to workers is not absolutely necessary for significant democratization to occur in some firms [see cases in Jenkins 1973, chapter 12; Lesieur 1958]. There are also firms which are entirely worker owned yet lack any degree of democratization (for example, the Chicago-Northwestern Railroad; *Kansas City Star*; *Milwaukee Journal*). Such findings force one to question the common assumption that to increase workers' power one must first abolish private ownership.

Close examination reveals ownership to be not a unitary phenomenon, but a package of rights and functions [Dahl 1970, p. 124]. This package includes legal title to the property, control over how that property is to be used (that is, its management), the right to dispose of (sell or donate) that property, and first claim on any income accrued through use of that property (such as profits from production). Of the six components so far identified as minimally necessary for democratization, at least two contain rights traditionally reserved to owners. The first component, participation in decision making, invades the owner's right to *manage* the firm at his sole discretion,<sup>11</sup> and the economic return component invades the owner's right to have *first claim on the profits*. So democratization begins to transfer specific powers of ownership to the employees even before the formal, legal title of ownership may be transferred.

Of course, *complete* worker autonomy and self-management (form 7 of participation, Dimension 1) is unlikely to occur without a transfer of the *majority* of rights belonging to the formal owner. Means of achiev-

ing this are varied. Perhaps the most common approach has been nationalization, although in many cases the workers concerned have not received or retained control but have seen it consolidated within the state (as in the Soviet Union [Brinton 1970]). Another means that evolved more recently is worker purchase of their firm from the original proprietor or from a parent conglomerate (for example, Scott-Bader [Farrow 1968b], Vermont Asbestos Group [Achtenberg 1975], or Triumph-Meriden Motorcycle Co-operative [*Economist* 1975]). This can be a very expensive procedure, so occasionally the employees have been aided in their purchase by loans from the state (as in the Vermont and Triumph cases). Still other means have been proposed, but not yet implemented, such as the Swedish trade union economist's suggestion of a gradual distribution of profits to employees in the form of shares until 50 percent of every company is owned by its workers [Seeger 1975].

Given the various difficulties involved in securing complete worker ownership of the workplace it is useful to keep open a consideration of how much may be achieved short of that transformation. For example, it is possible to envision workers' power expanding in the United States through a gradual narrowing down of stockholders' rights to those of mere bondholders. Outside stockholders would lack any vote (which most do not exercise anyway) but would still be willing to purchase "shares" of the firm because of the "dividend" they would continue to receive. Actually, the payments would no longer be dividends, but interest paid at a fixed rate. Nor would the payments be exploitative, varying as the workers' productivity varied, but they would merely be a "rent" paid by the firm for the money borrowed from these shareholders. Such noncontrolling shares (or, more appropriately, *notes*) have been proposed recently for sale to the U.S. public by a corporation whose mission would be to raise and lend capital to worker managed firms [Benello 1975].

Once one considers *total* transfer of owners' rights, another question arises: to whom? Simply to transfer all rights to the workers may slight the issue of ensuring social responsibility of the firm, and it may lead one to overlook other questions connected with the external, or extra-organizational, dimension of ownership. This external realm actually exceeds the bounds of the present article, whose focus has been the internal rearrangements necessary for a firm to run on a democratized basis. Nevertheless, it is necessary to complete even this brief survey of the ownership component by mentioning a few more issues which arise in its extraorganizational realm. Much more analysis is needed before firm conclusions or recommendations can be made.

First, it is important to recognize that there are more forms that non-

private ownership can take than are usually imagined. Each has its own advantages and disadvantages which need to be analyzed and carefully considered before preferences are formulated for one form or another. Besides a firm being owned by its workers, it could be owned by their community through the state (as in China [Bettelheim 1974]), or through their municipality (as in some U.S. cities [Brom and Kirschner 1974]). Local residents may exercise ownership over an enterprise through direct decision making in a town assembly (as in Israeli kibbutzim [Fine 1973]), or by individually purchasing shares (as in several black community development organizations in the United States [Hampden-Turner 1974, pp. 241-53]. It is even possible to disperse the discrete functions of ownership among several bodies, as is done in Yugoslavia. There, employees make most of the managing decisions, but the local municipality participates in selecting the company manager, and the state retains sole right to sell the company [Hunnius 1973].

Even within the supposedly simple form of full worker self-ownership there are crucial variants, each having particular consequences for the democratization system. In one form, employees own individual shares of the company, which on their own they can sell to new workers whom they find to replace them (as in producer cooperatives [Berman 1967]). This can lead to the irony of successful firms being sold for individual gain to conventional conglomerates [Bernstein 1974, p. 31]. In another form of complete worker ownership, the working group *as a whole* holds title to the firm ("common-ownership" firms such as Scott-Bader [Blum 1968; Farrow 1968b]). To join, one is not required to pay a special sum, but to determine disposal of assets one must vote with the others.

Whatever form or forms of nonprivate ownership are arranged, consideration of their effect on the overall economy and well-being of the populace must come into play. The state may be involved in order to assure regulation of the firms in the interest of the overall social good. But too great an accumulation of economic control in the hands of the state can lead to inequities and injustices. The other extreme—little or no state control over worker owned firms—can create parochialism or enterprise selfishness, as Yugoslavia has noticed [Hunnius 1973, p. 309]. Also in a purely market run economy, development may become severely imbalanced.

These observations point toward the need for worker managed economies to include some synthesis of central state planning with local ownership and flexible market pricing. State planning prevents the irrational and inequitable allocation of goods and resources to which purely



market economies are prone, while decentralized ownership and use of market for some prices prevents the tyranny and bureaucratic efficiency to which command economies are prone. Just such a synthesis was created in Czechoslovakia during the last decade (before it was terminated by the Soviet invasion), and it seems worthy of careful study [Šik 1971; Bernstein and White n.d., chapters 5 and 12]. Already some social planners seem to be moving in that direction in the United States [Alperovitz and Faux 1975], and one hopes more work will be done to integrate the intrafirm aspects of worker participation in management with the macroeconomic questions of planning, market, and social role of the enterprise.

### Summary

Efforts to humanize work have in common the movement away from minute division of labor and extreme specialization of jobs. Some attempts also introduce participation, enlarging the employee's power *vis-à-vis* management.

Such participation can extend to many more issues than U.S. unions currently bargain about. Worker participation has in some cases extended up through all levels of the company to worker election of directors and company officers. Moderate forms of worker control, where power is shared on joint boards with management, also exist.

To be successful and self-sustaining, participation needs to be buttressed by at least five other elements: sharing of management level information, guaranteed individual rights, an independent appeals system, a complex participatory/democratic consciousness, and a guaranteed economic return on surplus produced above the employee's regular wage.

Transfer of formal ownership to the employees can, of course, facilitate democratization, but it is not absolutely necessary in the beginning, since a few central rights of ownership are appropriated by the employees within these six components of democratization. Nonprivate ownership can take several forms, of which worker ownership is merely one. Each form needs to be examined for its consequences not only to worker self-management, but also to the community service obligations of the firm.

## APPENDIX

## Cases of Democratization Examined

<i>Type</i>	<i>Case and Country</i>	<i>Sources</i>
<b>I. AUTO-NOMOUS FIRMS</b>	Worker owned plywood companies—United States	1. Personal on-site investigation [Bernstein 1974] 2. [Berman 1967] 3. [Bellas 1972]
	Scott-Bader Commonwealth—United Kingdom	1. [Blum 1968] 2. [Farrow 1965]
	American Cast Iron Pipe Co.—United States	1. [Bentley 1925] 2. [Employee's Manual n.d.] 3. [Zwerdling 1974]
	John Lewis Partnership—United Kingdom	1. [Farrow 1964] 2. [Flanders et al. 1968]
	Bat'a Boot & Shoe Co.—Czechoslovakia	1. [Dubreuil 1963] 2. [International Labor Office 1930] 3. [Sprague 1932] 4. [Cekota 1964] 5. [Hindus 1947]
	Scanlon Plan companies—United States	1. [Lesieur 1958] 2. [Frost et al. 1973]
	Works councils— (1919–1930s) United States	1. [Derber 1970] 2. [National Industrial Conference Board 1919, 1922] 3. [Douglas 1921]
	Polish works councils <sup>1</sup>	[Kolaja 1960]
	Democratization experiments—Norway	1. [Blumberg 1968] 2. [Jenkins 1973] 3. [Gustavsen 1973]
	Participation, work redesign, and job enrichment experiments—United States	1. [HEW 1973] 2. [Blumberg 1968] 3. [Gouldner 1954] 4. [O'Toole 1973]
	British job redesign (Tavistock experiments)	[Emery and Trist 1960]
	Histadrut Union Enterprises—Israel	1. [Fine 1973] 2. [Tabb and Goldfarb 1970]
	Imperial Chemical Industries—United Kingdom	[Business Week 1971]
	<b>II. COMMUNISTARIAN</b>	Spanish anarchist collectives (1936–1939)
Israeli kibbutzim and moshavim		1. Personal interview 2. [Fine 1973]

<i>Type</i>	<i>Case and Country</i>	<i>Sources</i>
<b>III. STATE AUTHOR- IZED</b>	Nineteenth-century U.S. communes	3. [Tabb and Goldfarb 1970] 1. [Nordhoff 1972] 2. [Holloway 1966]
	Czechoslovak mines (1920-1939)	1. [Papanek 1946] 2. [Bloss 1938]
	Most Czechoslovak industry (1945-1948) (1968-1969)	[Hindus 1947] 1. Personal interview 2. [Remington 1969] 3. [Stradal 1969]
	British nationalized industries	1. Personal interview 2. [Schumacher 1973]
	Codetermination in coal and steel industries—West Germany	1. [Blumenthal 1956] 2. [McKitterick and Roberts 1953] 3. [Sturmthal 1964] 4. [Schuchman 1957] [Sturmthal 1964]
	French works councils and worker directors	
	Works councils— Belgium	[Potvin 1958]
	Works councils— Germany	[Sturmthal 1964]
	Works councils— Norway	1. [agenor 1970] 2. [Blumberg 1968]
	Yugoslav self-manage- ment	1. [Sturmthal 1964] 2. [Hunnius 1973] 3. [Blumberg 1968] 4. [Rus 1973] 5. [Kolaja 1965] 6. [Flaes 1971] 7. [Gorupić and Paj 1971] 8. [Obradović 1970] 9. [Adizes 1973]
	Swedish industrial democracy	1. [H. Bernstein 1974] 2. [Karlsson 1972] 3. [Therborn 1974] 4. [Norcross 1975]
	U.S. labor unions <sup>2</sup>	1. [Derber 1970] 2. [Sturmthal 1970] 3. Personal interviews
	Canadian provincial enterprises	1. [Shearer 1974] 2. [Business Week 1975] 3. [NDP News] 4. [Wilson 1974]

Type	Case and Country	Sources
	Soviet industry	1. [Brinton 1970] 2. [Mallet 1972] 3. Personal interviews
	Chinese enterprises	1. [Richman 1967] 2. [Myrdal 1970] 3. [Macciocchi 1972] 4. [Bettelheim 1974]
	Algerian workers' councils	[1. Clegg 1971]

<sup>1</sup> These were autonomously initiated by the firms' employees, although later restricted by the state (Type III).

<sup>2</sup> This case is state-enabled, but is not required by law.

### Notes

1. Consideration of *external* factors necessary for or helpful to democratization is a vast subject all its own. The reader may find discussion of that as theory in Vanek [1970; 1971] and as practice in Hunnius [1973] and Bettelheim [1974].
2. These categories are by nature overlapping, for employee activity is also a means to company ends. The arrangement of issues as though on one continuum is subject to controversy and is meant only as an approximation. Some firms might place choice of product (item 10 in this version) in the category of company goals, not merely a means to the goal of profit. Other companies might regard expansion as a higher goal than profit, as John Kenneth Galbraith and others have argued. The ordering of issues presented here is merely illustrative of the dimension. It was settled upon after consultation with labor union officials and professional business managers who replied to questions concerning how consequential each issue was to the company and its members.
3. Successful performance was defined according to these four criteria: (1) The enterprise had to demonstrate economic viability over a minimum of five years; (2) the system of participatory management had to prove itself self-sustaining and self-reinforcing (in cybernetic terms); (3) the organization's decision making had to function so that managers were held accountable to (and sometimes were removable by) the managed; and (4) overall effect of working in this organization moved one toward a more humanizing rather than dehumanizing experience. For elaboration see Bernstein [1976, chapter I and Part II].
4. These elements, as do the six discussed in the present article, all relate to the internal life of the firm, as mentioned earlier. They are discussed in Bernstein [1976, chapter 1].
5. Several socialist economies have found interfirm competition to be a valuable mechanism for discouraging wasteful use of resources, so it is by no means an automatic assumption that worker control means the complete elimination of a market mechanism. At the same time, these

countries' experience also demonstrates the usefulness of overall planning to tame and supplement interfirm competition in the interest of other needs [Šik 1971].

6. Where the total body of employees is the final tribunal one might anticipate their decisions being biased consistently in favor of the managed. In practice this does not appear to be so serious a problem because the infractions to be decided are often ones that hurt the entire collective, not just management. The collective, from its own perspective, will not automatically side with the individual employee if the facts indicate he has broken one of their important rules [Berman 1967].
7. William Dunn [1973] speaks of the democratized enterprise having *sociocultural* goals in addition to the economic goals expected of conventional enterprises. Related to this is the perspective that employees are not merely a *means* to the achievement of the organization's economic goals, but that the employees are themselves one goal of the organization's process, namely, the greater humanization or self-realization of the members.
8. Although this may sound no different from Lenin's "democratic centralism" it appears different in practice. The cases cited are producer cooperatives inspected directly by the author as well as a worker owned firm closely studied in Great Britain. Neither case exhibits the harshness, the intense bureaucratization, or the denial of individual members' rights that characterize democratic centralist organizations founded on the Leninist model, such as the Communist parties of the Soviet Union, Eastern Europe, or France.
9. That way the surplus is distributed *before* it accumulates: The company does not increase sales to enlarge profits, nor does it lay off workers to reduce costs (which it could do, now that each worker is more productive). Rather, as soon as workers reach their old baseline of productivity within each time period, they are free to leave work and still be paid for that time. So they *experience* receiving a "surplus," although the company treasury does not pay out any extra currency.
10. This is not to say that the return should never be tied to profits. It can and indeed must be if the sphere of control exercised by the participants is the entire policy of the firm (that is, up through level 16 on Dimension 2 and some version of form 7 on Dimension 1). In both cases the principle being followed is that the source of the return is commensurate with the range of control exercised by the participants.
11. Worker appropriation of the management function from the owner is, of course, facilitated by the prior historical divergence of management from ownership first noted and analyzed by Adolf Berle and Gardiner Means in the 1930s.

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