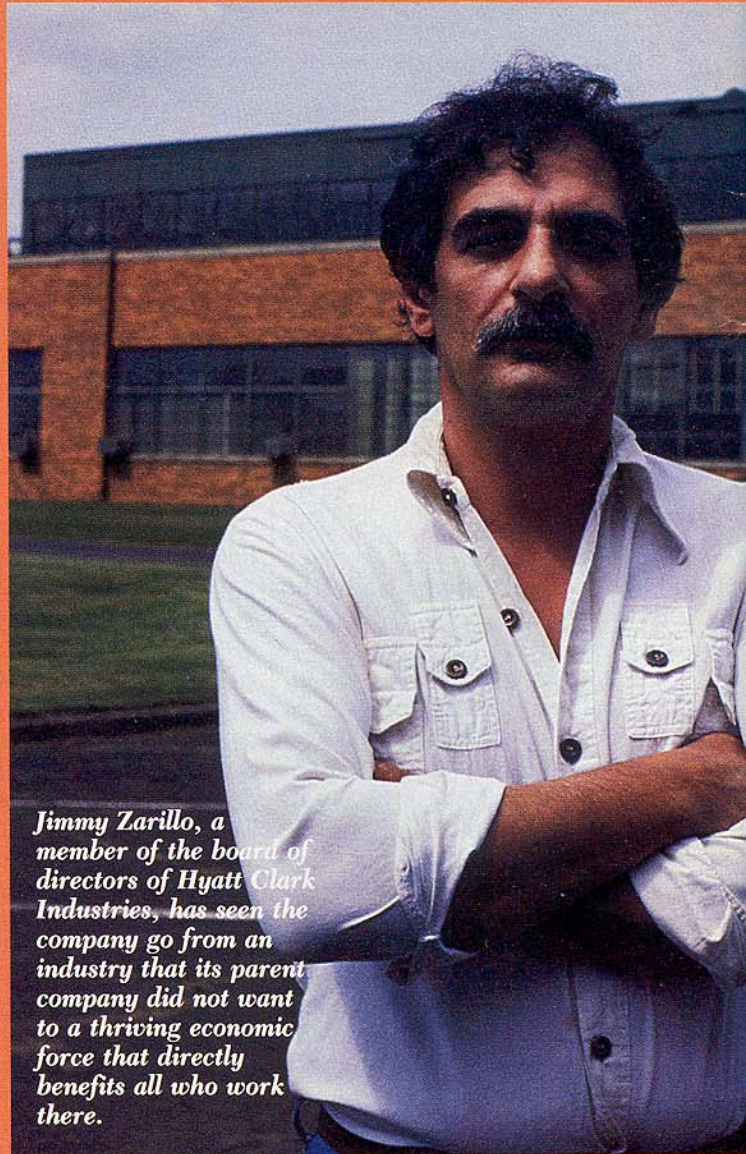


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REWORKING THE WORKPLACE

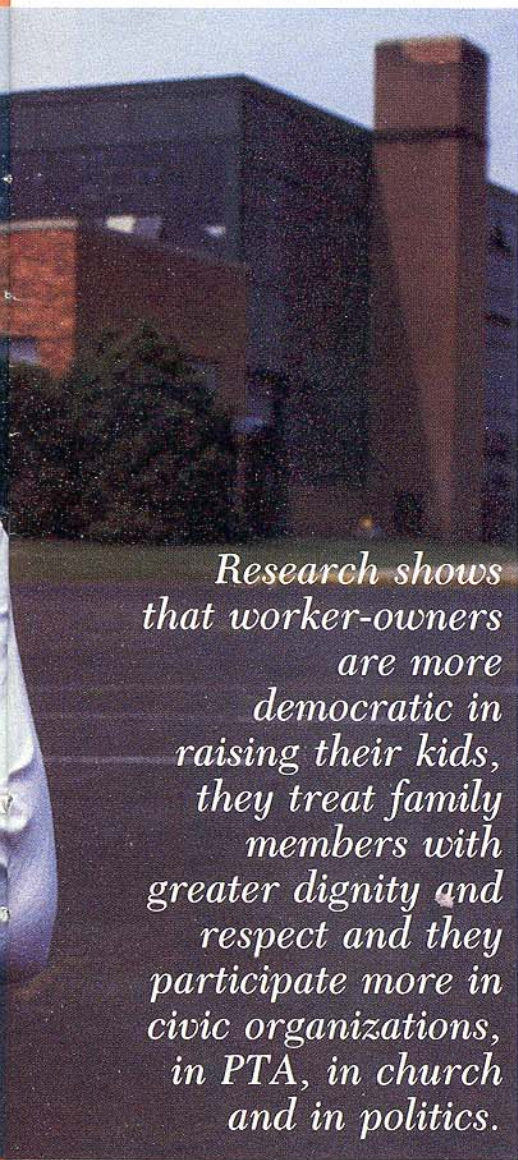
By Scott and
Barbara Hammond

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Jimmy Zarillo, a member of the board of directors of Hyatt Clark Industries, has seen the company go from an industry that its parent company did not want to a thriving economic force that directly benefits all who work there.

On a hot afternoon in a tiny Central Utah town, Ralph Wilson sits at his kitchen table watching the world go by. A scraggly dog chases a lopsided pickup down the dirt road. A neighbor is bringing in the hay. But even in the height of harvest there is no work for Ralph. For two days he has been preparing his Sunday School lesson at the



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table.

Ralph Wilson is 56 years old. For 31 years he worked as a skilled laborer at the rubber plant in Nephi, Utah. Last year out-of-state owners closed the plant, leaving Ralph and 200 other workers with no jobs and seemingly no future. Once a week Ralph goes to the state unemployment office and stands in line with his friends. "When you're 56 years old and know only the rubber business, chances of getting a job are slim in a town where there is 30 percent unemployment," Wilson says.

But there is some hope. Ralph and the other rubber workers have banded together to try a blue collar buy out of the plant that laid them off. The workers hope to borrow money, buy the plant and make a profit where others have failed.

Jimmy Zarillo is 38 years old and a member of the board of directors of a large East Coast bearing plant. Five years ago, when Zarillo was an assembly line worker, General Motors closed the plant and laid off all its employees. But the workers pooled their resources, marshalled community support, borrowed money and bought the plant from GM. Today Zarillo is one of 1500 employee-owners.

Linda Dozier is the director of public relations for Western Airlines. She is also a part owner of the company. For the last three years a small percentage of her paycheck has gone toward buying stock in the airline. Western initiated the Employee Stock Ownership Plan (ESOP) in 1983 during economically hard times as part of a

Scott Hammond is a graduate student in organizational behavior and communications at BYU and is a reporter for KUTV News in Salt Lake City. Barbara Hammond is the assistant station manager for KBYU-TV.

wage concessions package for employees. The ESOP, according to Dozier, has been a major factor in the company's financial turnaround.

Jimmy Zarillo, Ralph Wilson and Linda Dozier are part of a national trend that is reworking the workplace. BYU organizational behavior professor Warner Woodworth, a nationally known expert on employee ownership, says over half a million Americans a year are becoming part or full owners of the companies they serve. "If the trajectory of growth increases over the next 10 years, the majority of workers in the private sector will own some or all of their companies' stock. This new breed of worker-owners will not be satisfied with leaving their rights as they check in at the company gates, but will demand more humane work environments, board level representation and other privileges and responsibilities."

Woodworth says many of the worker buy outs are initiated by employees and communities desperately trying to preserve jobs. Other ESOPs are started by innovative management personnel who want workers to share in the ups and downs of today's economy. The result for many of these companies is not just economic revitalization, but a new commitment to the individual, the organization and the principle of democracy.

Woodworth says, "The workplace, curiously, has been one of the last institutions in our system to look at the question of democracy. What I see worker ownership doing is moving us toward a reformation of the corporation, which is really going to make those eight or ten hours that I am at my job more consistent with the American ideal of having a say. What we have now is a contradiction. I show up at the gate and punch in, and I immediately lose all my rights to free speech, to

voting and to privacy.

"I was at one eastern company, meeting with the plant manager. An employee stuck his head through the open door and asked for a minute of the manager's time. The worker said he had been stationed at one machine for seven years and had some ideas about how to make the machine more efficient and increase productivity. The manager erupted, 'You're not paid to think, you're paid to work.' It was clear to me that the manager just wanted a pair of arms, without a head, brains or ideas."

Some companies have completely embraced industrial democracy by turning complete control over to the workers. In some cases employees elect a board of directors who hire the bosses, determine marketing strategy, control production and set pay scales. In other cases employees hold only a few seats on the board of directors and often struggle with majority shareholders over company direction.

"Some ESOPs are just paper transfers of economic problems to the workers," Woodworth says. "One company sold shares to its employees at ten times the rate the workers could have bought the stock on the open market. The company just went to the workers instead of the bank to get money. But most ESOPs are meaningful efforts to help workers share in the profits of the business without assuming too many liabilities.

"With worker buy outs, employees share all the liabilities. The rewards and the risks are greater. But some workers have unrealistic expectations in companies that have no real viable future. But in most cases, workers make companies work that didn't work before.

"Several years ago the Denver Yellow Cab Company was on the verge of bankruptcy. A group of drivers proposed to buy the company despite a warning from the national company that 'nobody can make it in the cab business in Denver.'" The drivers raised some money from their own pockets and went to a local bank for the rest. One of the bank's vice presidents was so caught up in the entrepreneurial excitement that he took early retirement from the bank and joined the cab company as a manager. Today the Denver Cab drivers see at the end of every month how well they are doing. They have branched out into two other

businesses and have a solid bottom line."

Woodworth's commitment to industrial democracy has led to the recent formation of the Center for Program Innovation and Revitalization at BYU's School of Management. Woodworth, together with colleagues John Hoffmire and Chris Meek, specializes in finding new ways to help old businesses survive.

Woodworth and his associates support the notion of industrial democracy with a religious zeal. In fact, much of their ideological justification for shared ownership comes from the early efforts of the Mormon pioneers to establish economic cooperatives and shared companies. In 1873 LDS Church members tried to implement the Law of Consecration (as it had been outlined in Doctrine and Covenants, section 42) to offset the effects of a national depression. From St. George to Brigham City, more than 200 communities in the Great Basin area were organized into cooperatives. Most of these efforts ultimately failed, but the ideas of self-management, consensual decision making, equality of consumption and personal growth live on.

Woodworth says, "Maybe worker

ownership is one step closer toward a Zion society in which all things are equal, in which everyone has a vote, in which the principle of work is reenthroned."

Some may see Woodworth's ideas of industrial democracy as being radical, even revolutionary. But even the most conservative companies are finding that workers who share in the risks and rewards of business are more productive and happier. Some of the nation's best known companies have turned part or all of their assets over to their employees. The list includes Western Airlines (30 percent employee owned) and Rath Meat Packing (100 percent employee owned), as well as Hallmark Cards, Safeway Supermarkets, Chrysler Corporation, Apple Computers and many other major corporations.

Worker ownership is not going to take the country by storm, but it may end up as another significant sector of the economy, Woodworth says.

"When America was founded, the emphasis was on political equality. Most men were land owners or craftsmen. But in the 20th century we found the economy evolving toward massive corporate conglomerates, with some executives receiving 30 times the



wages of the worker. Today two to three percent of the population and six percent of all stockholders own 53 percent of all corporate stock. Inside managers make decisions that have widespread effects on communities and workers without any input from the general populace. The results of such economic despotism not only contradict the American dream but cause alienation and widespread inefficiencies."

Woodworth adds that once worker-owners have experienced "employee owned companies, they have a hard time working any place else. In their first few years with a company, many worker-owners have less take home pay and fewer benefits. Sometimes they work longer hours, take fewer vacations and often take out personal loans to buy in or to cover the company's debts. But few worker-owners ever go back to traditional companies." Woodworth says the increased responsibility, control and self-respect are hard to give up.

Woodworth says worker owners often are better members of society. "Research shows that worker-owners are more democratic in raising their kids, they treat family members with greater dignity and respect and they participate more in civic organizations, in PTA, in church and in politics."

But worker ownership is not an economic bed of roses. With greater control comes greater responsibility, and greater responsibility often means greater conflict. "The new expectations of the new owners often lead to conflict," Woodworth says. "Worker owned companies often go through a honeymoon period, but then the realities of democratic rule are sometimes difficult to deal with.

When General Motors announced the closure of their roller bearings plant in Clark, New Jersey, in the fall of 1981, 1500 workers lost their jobs. A coalition of managers and union leaders approached GM about the possibility of selling the plant. After considerable negotiation, GM not only agreed to sell the plant, but helped finance the worker buy out. GM also agreed to place three years of orders with the plant.

Workers and the community banded together to raise the money required for the buy out. Each employee bought \$3,000 in stock, refundable when they quit. The community held fund-raising activities and en-

couraged the business community to lend the new operation money. Wages were reduced, and an incentive system based on productivity was established. The management was streamlined, and the plant was renamed Hyatt Clark Industries. In a matter of weeks the worker-owners implemented new money saving innovations; and after just six months of running the plant, the worker-owners did something that had never happened under General Motors—they made a

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profit. But the threat of prosperity is often greater than the threat of poverty. Disagreement over how to spend the profits renewed some of the old conflicts between the union, the management and the board of directors. Woodworth, who sits on Hyatt Clark's board of directors, says, "The new owners and the new management are still learning how to work together. The jury is still out on whether or not they will make it."

Ralph Wilson and the rubber workers in Nephi, Utah, have been trying to buy the idle rubber plant for a year now. Though the plant doors are not open yet, the group has overcome a host of buy out barriers. First, rubber workers had to be educated about the

implications of worker ownership. "We set up an early training process to help them catch a vision of industrial democracy and help them learn to work together," Woodworth says. "We had to deal with people who wanted to just open up the gates to the plant and continue the same old problems. But my feeling was that the ones who are willing to consider a dynamic, radical approach can redefine the game."

Once organizers gained enough worker support to run the plant, they formed a steering committee and faced a complex maze of financial ambiguities regarding current plant ownership. Guided by Woodworth and his associates, the steering committee convinced government and business leaders and bankers that a worker-owned company was worthy of their support. It quickly became evident that the community had nothing to lose and everything to gain from a worker buy out. Businesses hit hard by the town's lack of dollars joined the community fund-raising effort, an effort that is a matter of economic life or death for Nephi. "There were forces in that community that encouraged collective problem solving," says Woodworth. "One was a lot of people who had grown up together. They shared a common religious faith and a common plight of being locked out of the economy. Now they share a common goal of working together to save jobs."

For Ralph Wilson the worker buy out will mean more than a job. It will mean the possibility of finishing a career with financial stability and self-respect instead of standing in the unemployment line.

For Woodworth the worker buy out is not a threat to current economic systems; it is a grassroots reworking of the workplace that does nothing but enhance the economy. "If the trend of worker ownership continues, it will bring about a new America in which citizens not only have the right to equal votes in the political sphere but the economic equality as well. Indeed, we may finally obtain a democratic economy, settling once and for all the question of who should really own America. Empowering the people will, in the end, not only make us a more just and economically prosperous society, it will make us a truly capitalist nation for the first time." □