

Worker Takeover of a General Motors Plant:  
Toward a Robin Hood Theory of Change\*

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Economic Nemesis

The economic crises of the United States in the late 1970s and early 1980s <sup>W44</sup> be desc=iead u a process of societal warping. Whole regions of the country have been obliterated with industrial decline, plant closings, and economic dislocation. Cities have been ravaged, families destroyed, schools closed, and millions of individual workers thrown <sup>0'11/-0</sup> the s A-em d. The percentages of jobs lost and business bankruptcies <sup>(ivYtlh--!Irr'1-v°J ro /15</sup> paralleled <sup>••=tli</sup> the Great Depression of the 1930s.

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Causes for such a phenomenal breakdown of the system are varied. One source derives from the political economy of Washington and an <sup>(tl'lzy te,12.\_</sup> administration which is responsible for high interest rates and <sup>ad,;</sup> of American business from a sense of social responsibility. Other <sup>nlr",J,1 '1' I</sup> factors include conglomerate needs for tax write-offs, <sup>5/-1</sup> to Third World countries, and the shift of capital from traditional manufacturing industries to new technologies and the service sector.

Regardless of causes, what is emerging are alternative responses to ~~combating plant shutdowns which, together, suggest the emergence of a~~ <sup>industrial democracy within the U.S.</sup> ~~United States approach to industrial democracy.~~ <sup>③ Conversion of industrial enterprises to worker ownership has been the</sup> ~~One of the most significant forms of response has been the conversion of industrial enterprises to worker-ownership.~~ <sup>most of the most significant forms of response has been</sup> ~~The numbers involved are impressive and growing. The estimates are that over 50,000 jobs have been saved through such conversions in recent years, and that there currently exist some 5,000 firms that are at least partially owned by employees. r"ata Iso~~ <sup>are beginning to suggest such strategies can be more financially successful and productive than traditionally owned firms, and that the</sup>

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failure rate/ of worker-owned enterprises <sup>j</sup> lower than the national nonn (Rosen 1981).

This study to be reported here centers on a single <sup>1</sup> 1981-1982 effort to avert an industrial shutdown through a worker takeover.

The Robin Hood Parallel

To introduce this case, an analogy to England's Robin Hood is illustrative. According to ancient legend, Robin Hood and his band in Sherwood Forest took from the rich and gave to the peasants of their day. The poor learned to survive by countering their own exploitation at the hands of wealthy and powerful elites. In the process, they established an underground, outlaw economy.

Similarly, in the 1980s a band of trade unionists in northeastern America have changed the course of their lives. After decades of serving under the oppression and control of one of the largest and richest corporations in the world, this band of workers, with the help of lawyers and consultants, succeeded in obtaining millions of dollars from U.S. financial institutions, to gain control of their own economic future. Whether this radical experiment can succeed in the long run has yet to be seen. But in contrast to the mythical folklore of British lords and serfs, this present-day story is factual.

Essentially (it is a story of almost a thousand workers who, after a year of struggle in the face of threatened demise of their plant, succeeded in establishing <sup>le k</sup> a 1 @-t "Gi-At" worker-owned firm. In the fall of 1981, members of Local 736; ; ; :-United Auto Workers, xgained legal control of a \$100 million-a-year General Motors bearing plant in Clark, New Jersey. The firm immediately as one of the largest worker-owned <sup>.,-M)k.tl</sup>

firms in the country, from then on to be known as Hyatt Clark Industries, Inc. (HCI).

Historical Overview

Established as Hyatt's Roller Bearing Company in the late nineteenth century, the plant was bought by General Motors (GM) in 1916. An early executive at Hyatt, Alfred P. Sloan, went on to become president and chairman of the board at GM, and a major force in its gargantuan growth as a modern, bureaucratic corporation.

A key to the logic of GM's financial success lay in a marketing tactic which was founded upon the idea of planned obsolescence, i.e., that the automobile would be built to last five years, after which it would be traded in on a new, larger and more expensive vehicle. The technique of planned obsolescence was the key to GM success for half a century. However, this practice of trading for a new car carried GM straight into the wall of the 1973 oil embargo and OPEC with a resounding crash. The outcome was the death of the large, gas-guzzling monoliths Detroit had been manufacturing and the birth of a new consumer requirement that autos be smaller and fuel-efficient. Japan and Europe became strong contenders for the American monopoly on auto production as GM's sales declined and the firm was forced by public demand to downsize its product.

New car design included, among other things, a switch from rear wheel drive to front-wheel drive. This meant the demise of the tapered roller bearings produced at Hyatt. GM decided the new spindle bearing required for front wheel technology would be manufactured at another bearing operation in Ohio, making the Clark facility obsolete.

What about long-term market for HCI's bearings?  
Isn't this absolutely crucial to long term viability?  
Is there something you can add about their progress toward adaptability - this would really be a triumph for the workers

At the time, beginning in the late 1970s, Clark's products increasingly became less relevant to GM's scheme of things.

It was determined that retooling the plant would not be economically viable. Besides, there had been a long history of local union conflict with the parent corporation. GM perceived local 736 leaders as militant, a fact attested to by a strike 1977. Wage rates, health and safety benefits "are more expensive to the company at Clark than sister facilities nearby. Costly grievances were numbered in the thousands. Gradually the noose began to tighten which would ultimately cut off Hyatt from the GM system. Beginning in late 1979, layoffs grew incrementally--until by the summer of 1980 there were only 1200 workers left of 2400 the previous year.

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### The Buy-Out Strategy

While the union leaders took a strongly declared stance to save jobs at Clark, GM was preparing to close the operation. The union studied alternative products which might be produced in the one-million square foot facility, sought new ideas from the rank-and-file, and offered more flexible work rules in the shop. OYe, All to no avail. In August 1980 GM announced the plant would close unless a suitable buyer could be found. The rationale for a closure was predictable: the Clark plant was unproductive, labor costs were high, the equipment and buildings were aging, and the Dew technology of front-wheel drive demanded different products. GM also initiated a shift to outside suppliers for parts rather than from within. Known as "outsourcing," this approach would theoretically allow the corporation to buy bearings

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or other parts from the cheapest high-quality supplier, thereby becoming more competitive in the marketplace.

In the ensuing months, as GM appeared adamant in its unwillingness to continue bearing operations and prospects for an outside buyer dimmed, the leaders of Local 736 began to seriously debate the potential of a worker buy-out. They talked with local management, attorneys, consultants, and government officials about the options and steps toward worker ownership. They re-examined rigidities in the labor contract and began to consider "the possibility of changes" which might contribute toward a more viable organization. "?

The local leaders sought rank-and-file approval to raise union dues in order to finance a feasibility study on worker ownership. The membership's reaction varied from support to doubt that worker ownership would succeed, disbelief that GM would really close, desire that benefits not be lost, as well as political opposition to the leadership in power. In a referendum in late 1980, the funding of a feasibility study was defeated by 16 votes out of over 1500 cast.

The next step came serendipitously from the opposition--Hyatt executives. Local managers began to fear for their jobs and sensed they might not be transferred elsewhere in the GM empire. So they resurrected the idea of worker ownership and passed out leaflets at the plant gates inviting workers to reconsider ownership as the sole means of survival. A group of management and union leaders coalesced into the Hyatt Clark Job Preservation Committee to study and develop a method for gaining local control over their economic future.

The committee hired an attorney with extensive experience in worker ownership, tested out the idea of ownership with GM officials in Detroit,

and moved toward financing the feasibility study. Instead of a vote, the committee sought \$100 voluntary payroll deductions from anyone interested in a job in a new worker-owned firm in Clark. The result was impressive --over 1100 managers and workers at Hyatt contributed \$125,000 and the study was completed by a major consulting firm, Arthur D. Little, Inc.

According to the study, the notion of a buy-out looked promising if certain constraints were to prevail: wages and benefits would become more competitive, the size of the work force would be diminished; GM would have to commit to purchase \$100 million annually for the first three years of the new firm's existence, and management would have to achieve

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more effective results. Given this go-ahead, the Job Preservation Committee began to tackle the multitude of complex tasks it faced in bringing ownership to fruition.

Negotiations spun off in various directions. One thrust centered on discussions between local Hyatt people and GM headquarters, and issues ranged from payment of retirement pension benefits for GM employees (managers and workers) terminated by the closure to a sales contract, for the next three years. There were struggles between the union

and management over a salary structure for supervisors and white-collar employees and a collective bargaining contract with Local 736. Still another task of the committee and its lawyer found the nari at. :e\' qti a selling price from GM and loans from banks and other institutions.

During the summer of 1981, while these various challenges were being confronted simultaneously, there was an air of excitement, tension, fear, and conflict in the Clark plant. Meanwhile, all parties had to continue a fundamental chore: producing millions of bearings.

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There were fights over self-interests. Some managers ceased to be effective and looked for jobs elsewhere. Worker morale on the shop floor sagged as rumors regarding cuts in precious, hard-fought benefits. Time pressures built as General Motors' absolute deadline for closure approached.

On October 31, 1981 the purchase agreement was signed between General Motors Corporation and Hyatt Clark Industries, Inc., a 100 percent worker-owned enterprise. It consisted of 800 hourly workers and 150 salaried personnel.

Legal and Financial Structure

The conversion to worker ownership at HCI is based on an American concept known as an Employee Stock Ownership Plan (ESOP). a. Ai rily lfrlO-  
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The ESOP is a trust through which workers own the common stock of HCI. The ESOP bought a million shares of stock for \$15 million which it borrowed from the Chemical Bank on a short-term basis. The plan is that this loan will soon be paid off by securing long-term, low interest loans from a federal government Urban Development Action Grant, as well as lesser amounts from the Economic Development Administrations of Washington and New Jersey. Every year as the interest and principal payments become due, the company will contribute sufficient dollars to the ESOP trust, as well as needed money to cover cash payments to retiring workers. Participants in the ESOP are credited with shares of the firm's stock to their individual accounts. Every time the ESOP makes a payment on the \$15 million loan, the stock is released to the workers' accounts.

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As these loans are paid off, the workers will become sole owners of HCI common stock. Both rank-and-file UAW members and HCI salaried/management personnel participate in the plan. After two months service, all new employees also join the mandatory plan--thus, all workers are also owners. Upon retiring, the worker will receive stock or a cash benefit reflecting his share of the equity which has accumulated over the years.

An important feature of the HCI legal structure is that the shares of stock are distributed equally. This is not the case in most other U.S. ESOPs, where management tends to have a disproportionately higher amount of stock, giving ultimate control. Arriving at the concept of equality at HCI was not easy. Lawyers, consultants, and management agreed that shares of stock should be distributed on the basis of salary.

In effect, this would mean management would obtain more shares. The union countered by demanding the stock be issued according to seniority. HCI is an old plant with a mature work force, so the result of this

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proposal that the large numbers of workers with 25-30 years seniority would receive the most stock. Ultimately, a more cooperative-based

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After a bHter battle was fought just one day before the plant was to close, this issue was resolved in favor of equal share distribution.

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The president of the corporation now has the same equity as the floor sweeper.

The trust has no assets other than the company's stock. At the

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the direction of a three-member investment committee consisting of members of HCI's board of directors. In order to secure bank financing of the ESOP, UAW Local 736 agreed to defer voting rights of the workers' shares of stock for 10 years. It is anticipated that by that date the ESOP will be fully owned by HCI workers and not dependent on outside financing.

The total purchase price of the plant, equipment, and inventory was approximately \$53 million. The lawyer representing the Job Preservation Committee successfully put together a package of financial resources which allows the workers to become owners without any direct, out-of-pocket costs as individuals. This was accomplished by obtaining \$15 million from The Prudential Insurance Company to be paid back at the rate of \$1 million a year for five years, and \$2 million annually for the next five years. A second source was the Fidelity Commercial Bank which agreed to supply up to \$10 million for a revolving line of credit as working capital in the startup of HCI. This amount can be renewed beyond the first year, if necessary. GM itself provided the remainder of the needed capital to launch HCI, through a combination of loans, loan guarantees, and the <sup>0 1/cfl,-ki,(</sup> issue of 100,000 shares of HCI non-voting preferred stock ~~to GM~~ - in effect deferring part of the purchase price. The projections are that GM assistance, as well as other lenders, will be fully paid off by 1991.

#### A New Industrial Relations

An important hurdle in the formation of the new company was the 19iJf1afi. <sup>(rl,-</sup> neO-e-N-a! jag of a new collective bargaining agreement. Support <sup>...ie"'</sup> the lending institutions was contingent upon a new contract which promised a

different future than the old union-GM relationship. Critical issues were fought together between-a-labor law firm brought in by the Job Preservation Committee, the union leaders and their own attorney, and soon-to-be HCI labor relations management.

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An implicit understanding had already been reached)-: concessions would have to be made in order to make HCI a more viable enterprise in the bearing market. In 1980-81, unions all over America were negotiating labor contracts which cut wages, froze increases loosened up certainties rigidities. The 1981 economic crisis was heavily impacting firms and unions generally, and HCI in some respects simply reflected the broad picture. However, at one level of worker ownership and worker ownership At one level of worker ownership It

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can be argued that union members were now in the position of not making concessions to their employer, but rather to themselves. In another sense, these were not concessions at all, but rather exchanges. Reductions in wages and so on were merely traded for ultimate ownership of the stock, plant, equipment, and products of HCI. These views tended to undergird the contractual process.

In contrast to most negotiating efforts in the U.S., at HCI the company's books were opened so that both parties were bargaining from a common data base. The reality of limited resources became apparent to 3#11 With the evidence in front of them, union leaders ultimately agreed to give up 25 percent of the wage structure, restrict the life insurance benefit, give up all personal paid holidays, and reduce their sick leaves. They also accepted a three-year no-strike clause in order to this new organizational experiment with lender confidence.

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What this meant in specific numbers was that wages would drop from \$12.00/hour to \$9.00. Again it must be emphasized that this was /typical of many other union concessions around the country. To survive and reopen as a worker-owned firm, \$9.00 appeared to be operational within the budget constraints of the company. And it was still significantly above the prevailing wage structure in New Jersey, so HCI would continue to offer competitive incomes to potential new workers.

The union also bargained for an incentive system which, if desired productivity levels were achieved, would result in additional income to HCI workers. After much deliberation, an incentive program was agreed upon which consists of two types: one based on operating productivity of the entire work force as measured in sales per hourly labor dollar -amp- paid each month; the other a semi-annual profit sharing program calculated according to overall HCI profitability. The emphasis is not on individual effort but the collective performance of all worker-owners together. Under such management, as the potential for productivity improvements is reached, members of Local 736 will actually become better off financially than they were with higher wages as employees of GM. Local 736 will come to have ownership Local 736 well.

There were a number of other important agreements made during the process of negotiation which have made HCI a model for industrial relations in the US. These include union representation on the board of directors, a variety of participative structures enabling workers to have a voice in company affairs, access to company financial records, posting of shop floor performance as a feedback process throughout the plant, and so on. These will be discussed subsequently.

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However, one additional piece of the labor contract needs to be mentioned--that of negotiating job classifications. The feasibility study had suggested that part of the declining competitive position of the Clark plant under GM was its increasingly cumbersome compartmentalization of work. While such a system originally had certain benefits in terms of making work assignments more explicit and creating jobs, over time these restrictions had reached the point of diminishing returns. By 1981, work in the plant was broken up into 22 skilled trade job classifications and 91 unskilled categories. The organization suffered from fragmentation, high labor costs, inefficient use of workers' time, and a demoralized supervisory group which felt unable to raise their departmental performance.

Both management and union agreed something needed to be done to breathe new vitality into this costly and archaic system. Eventually, a more simple and flexible approach was agreed to in which machine operators in certain areas of the factory would operate two or even three machines if it could be done efficiently and safely. It was felt that a small group could, with a certain degree of freedom, achieve more than a large group could under tight lines of demarcation. This was important, because the union knew it would have to become more productive with fewer workers in order to significantly diminish expensive labor costs. They also knew that the Hyatt work force was old (25 percent were over age 55) and that many would elect to retire early rather than start careers over with the risky new venture of worker ownership.

The new agreement reduced unskilled job classifications from 91 to 10, while that of the skilled work force shrunk from 22 to 9. In sum,

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from a pulky bureaucracy of over a hundred categories, work at HCI is now  
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ke.1 into 19 distinct and more functional job classifications.

The creation of a new bargaining contract culminated in 1-ee gipg a document that, while not ideal, was agreeable to the union bargaining committee, company management, and the lenders. Clearly, the knowledge that the lenders were going to close the contract before final approval WGtH *advanced capital* d aneee to the oe ...eem u.iv impacted labor's openness to a significant departure from the old agreement. In the end, the new contract was written up in time to meet the strict deadline set by GM, and the membership of Local 736 ratified it.

Beyond bargaining with the union, it should also be mentioned that there were considerable negotiations affecting the salaried **work force**, clerical and managerial, that were going to affect the ~~soon to start-up~~ *incipient* HCI. One set of issues among salaried personnel had to do with terminating their relationship with GM. When the big automobile manufacturer closes a plant, it has to pay a mutually satisfactory retirement benefit to eligible employees. In the Hyatt case, GM did not want to pay the "mutuals" to either the union or management, because it was assisting in the transition to a worker-owned firm in which people would still retain their jobs. With the backing of the International United Auto Workers, Local 736 won a '8tisfac ttry compromise a q 14,t ib4m5'.ers in which GM would add a fixed dollar amount to the selling price of Hyatt)• *oWJ*  
ar:it litit:li would be paid back to GM over time. 1 1 eligible hourly workers would be fully covered by the mutual benefits.

But management had no union, and struggled for months against corporate headquarters in Detroit. As the reality of worker-ownership

appeared certain, the Job Preservation Committee found it could not successfully recruit management personnel from within the plant to stay on. A major reason given for this was that GM reneged on its termination benefit. Both GM and the union could see that without the talents and experience of the present management, HCI could not be successfully launched. Finally, the salaried staff successfully persuaded Detroit to lower its mutuals demand and an agreement similar to that of the union was created.

With that obstacle overcome, management and office recruits were quickly added to the new HCI organizational design. Another crucial controversy soon emerged, however, and this had to do with the salaries of management. Top executives had formulated a plan with roles, reporting relationships, and compensation. Upon learning that a number of key management posts involved higher salaries than under GM, a conflict with Local 736 erupted. The labor leaders argued that with the rank-and-file taking 25 percent pay cuts, it appeared management greed was moving executives in the opposite direction. Management countered that under GMt they were ess ae-eeuA al:H , with a lot or the decisions coming from Detroit. Now they bore full responsibility for a \$100-million-a-year corporation.

However, the union pressed its charge of a contradiction, and eventually most top management salaries were negotiated downward. This was the first breakdown between management and the union in their joint effort to salvage the old factory and their jobs. It became a continued point of reference for subsequent union accusations that management could not be trusted. Over time, this breach of faith would widen. For every step toward a new trust, there were slippages backward.

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### Participation and Co-Determination

A major criticism of many of the emerging forms of worker ownership in the United States is their lack of any fundamental shift in power and participation of the union (Woodworth, 1981(a)). In the once widely-heralded ESOP experiments of South Bend Lathe and Okonite, management took great pride in the fact that, - under employee ownership, nothing had changed organizationally, that tradition was preserved in which management does the managing and workers do their jobs. This euphoria with the status quo ended in 1980 when both firms suffered long, costly strikes over a variety of issues--a central demand of which was more input into decision-making.

One of the key thrusts of the union in its push to take over the Clark plant was that the new organization must not continue to function according to the GM mode. The notion was that management and workers at the soon-to-be-born HCI must invent alternative organizational processes which would fundamentally alter the distribution of power, democratize the nature of work, and give the union some form of control at every level up to the top of the organization. A new bargaining contract and/or ownership on paper would not be sufficient to salvage and revitalize the aging Hyatt factory.

Thus it was that from the first day of HCI's operation, a new, more humane climate began to be created. On that day, top management and union leaders met jointly in public meetings with groups of 120-150 workers and supervisors to discuss a philosophy of operations, goals, and expectations. Rotating teams went through the groups presenting overviews of expected sales, potential new products, manufacturing practices, and worker benefits. The results were electrifying as workers of long

seniority under GM began to catch a vision of creating their own business destiny. Long held resentment and resistance to the distant Detroit bureaucracy subsided and a new esprit de corps was born. In the days which followed, evidence of these fresh winds of change was everywhere: workers cleaned up their own areas rather than wait for the custodial service; some took initiative and painted equipment that had been dirty and rusty for years; when the invitation went out for workers to propose the design of an HCI logo to symbolize the new firm, over 150 drawings were submitted, one of which became the official company logo.

A month later, as production <sup>V.,).e.<)</sup> Nem0d e going well and the bugs of starting up were ironed out, top management and union leaders spent several days studying alternative models of workplace democracy--Yugoslavia's self-management, the Israeli Kibbutz, the Mondragon co-ops of Spain, llapanese quality circles, and German co-determination. They collectively reviewed cases of industrial democracy and/or worker-ownership in the United States--Rath Packing Company, the Jamestown Labor-management Committee, various quality of working life projects. Out of these days of study and deliberation came not only democratic education but a two-page "New Directions" statement--a philosophical commitment to innovation, worker-involvement, and participative management.

Later in the month during a shutdown preceding Christmas vacation, approximately one hundred first-line supervisors, union bargaining committee members, middle management, engineers, and others were taken through a similar training session of several days each. Practical, experience-based skill training in consensual decision-making, shop floor meeting processes, and other concepts were introduced. A month after that an HCI shop floor foreman was coached in training so that he could

begin taking small groups of all office and manufacturing workers through a similar orientation. By now every worker and manager has had extensive exposure to alternative forms of worker ownership and industrial democracy.

**Ewart** philosophical understanding and practical concepts were not sufficient to ensure a participative process at HCI. What was needed was a mechanism for democracy in the organization. Table 1 illustrates the tools created to in Joint labor-management cooperation and problem-solving. Participation essentially permeates the organizational climate of HCI, cutting across all departments, and flowing vertically from the shop floor to the board of directors. Some of the chief mechanisms which illustrate various kinds of labor/management co-determination are discussed in the paragraphs below.

[Insert Table 1 Here]

Board of Directors

In contrast to many U.S. ESOPs, the HCI case includes union representation at the top of the organization. During the many negotiations held in 1981 to design the form of worker-ownership, leaders of Local 736 pressed for a union presence at the board level. After considerable debate, it was agreed that the union and management would each have equal board representation, with outside independent members in the majority.

The way it is currently structured, the directors include the company president, vice president of marketing, and vice president of operations. The union is represented by the president of Local 736, the

chairman of the bargaining committee, and a union-appointed professor who specializes in worker-ownership. The attorney who was originally hired by the Job Preservation Committee to assist in designing the ESOP and arranging the financial package to buy the plant from GM is the board chairman. He and six others, mostly prominent East Coast business executives, make up the seven independent board members outside the HCI plant itself.

The logic of an impressive group of outsiders is that HCI would have more credibility with lenders, the state, suppliers, and customers. The idea of equal union and management representation implied a balancing of power from within the two constituent groups of the HCI operation. Over time, as the \$53 million in financing is paid off, the workers will become de facto owners. After ten years they will be able to activate stockholder voting rights which have been deferred for now. Thus, in 1991 the HCI work force will vote on any pertinent issues as stockholders, including the election of the board of directors. Full workers' control will at that point become a reality.

### Inside Directors

A special office has been created at HCI to deal with major ongoing issues facing the organization. Every Monday morning the president meets with the two union officials and company vice presidents who sit on the corporation's board of directors. These four officers study, evaluate, and make consensual decisions regarding various issues. Upon the group's conclusion, the president then communicates the inside directors' decisions, policies, and practices to his top management team

late1•iR tA k. Thus the board has a direct, major impact on the company's ongoing work.

#### Manufacturing Works Council

.----=,,To tackle the tough problems of revitalizing an aging manufacturing plant in such a way as to ei re improved productivity, quality, maintenance, and so on,toint union-management works council has been formulated It consists of union leaders, the vice president of operations, and all plant superintendents. This group, trained in democratic methods and cooperative problem-solving, is beginning to become an important institutional power resource, and plays a significant role in creating operations improvements.

#### Salaried Personnel Committee

Early into the process of worker-ownership, lower level management, clerical and technical people at HCI began to feel a growing sense of powerlessness. They complained of being neglected and left out of decisions affecting their jobs. Policies were being established for salaried personnel without office worker representation. Thus, in an attempt to broaden the scope of participation, a salaried council was established, consisting of 12 elected representatives ranging from engineers and foremen to secretaries and computer experts. This committee meets monthly to air grievances, suggest solutions to problems, design and test out recommendations for top management, and so on.

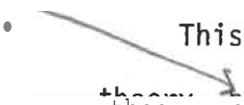
#### Shop Floor Teams

At the production worker level, groups of hourly workers, union representatives, and first-line supervisors meet weekly to evaluate their performance. As per the newly-negotiated labor contract, there are

bulletin boards with departmental productivity data posted throughout the factory. With the feedback from charts and graphs in hand, hourly work teams can now examine the causes of difficulties and generate concrete action plans for solving problems. The supervisors are better trained in meeting techniques, group skills, and listening so as to coach the work team. Workers have improved abilities to communicate as well as a more legitimate voice as owners of the operation. Hundreds of ideas have surfaced and been implemented through this important bottom-up approach to organizational effectiveness.

### Cadre

A group of 22 workers were selected from nearly a hundred volunteers among the work force to form a cadre of resources within HCI--a group of change agents. Their backgrounds included male and female, black and white, some--w -t-12-51 years ieRee elew. to two years. Members include workers from assembly, inspection, maintenance, and the union shop committee.

 This received two weeks of intensive training in change theory, elpin behaviors, cause-effect problem analysis, and other tools for providing technical assistance. Since then they have fanned out through the plant to provide additional kinds of help beyond their regular production or clerical jobs. A sampling of their activities: facilitate shop floor team meetings in their own departments, sit in and observe the group process of another team when requested by a supervisor, initiate a study of quality circle techniques for possible implementation, begin working with technicians in developing ideas for new product development, set up a worker welfare committee to provide counseling, design an orientation/education process for newly hired workers as they

come into HCI, launch an HCI newsletter, "Hyatt Highlights," to keep worker-owners informed on business issues as well as build worker solidarity.

Beyond the specific mechanisms highlighted above, there are a number of examples of differing approaches and degrees of worker/management co-participation at HCI. Several task forces have been organized to combat specific inefficiencies and problems in the past: one has attacked poor quality; another lack of maintenance; another emphasizes the high costs of energy and promotes conservation; another has made numerous improvements in HCI's shipping department?"all the result of collaborat, onS between managers and workers from different areas.,

**h.MI b-t-t-**

The company president has embarked on a serious program to achieve two-way communication with HCI's worker-owners. for instance, he holds a daily lunch meeting with a different'iroup of workers each time to listen and respond to their concerns, test out new ideas which may be implemented, and generally "clear the air." The way it 'is ee!'leov'ld., this will enable each worker to achieve some face-to-face interaction with the chief executive officer of the company each year. In addition, at six month intervals top management and union officials will hol a s meetings for the rank-and-file Jo) arm them of overall progress P. DJiog precasts. and he:C concerns from the peuve<sub>1</sub>

There have been structural changes designed to enhance communication and participation at HCI as well. For example, an extra level of supervision has been eliminated the role of the assistant superintendent o that foreman now report directly to three superintendents, who in turn report to the vice president of operations. Flattening the pyramidal towers of GM management is a difficult task to achieve after



portend the viability of HCI as the processes of worker-ownership and participation become further institutionalized.

Changing the Organizational Culture

After decades of existence as part of a GM division, a key challenge for HCI has been to develop its own organization and culture. Under GM, the plant operated as an extension of corporate headquarters in Detroit. A number of functions were handled by the bearing division offices in Ohio. Now worker-owned, HCI has had to build up its own engineering and quality control operations, and start from scratch with whole new departments of sales and marketing, and accounting. A new vice president of finance has been hired and the structures are beginning to be established.

Local 736 leaders have been concerned from the outset that their company not be a duplicate of the GM model of the past. Some of the factors which were characteristics of the GM stereotype are clearly at odds with the desired values being implemented within HCI. The list below contrasts this shift in company culture.

| <u>Conditions Under GM</u> | <u>Potential of HCI</u> |
|----------------------------|-------------------------|
| Large                      | Small                   |
| Rigid                      | Flexible                |
| Authoritarian              | Participative           |
| Elitist                    | Egalitarian             |
| Work alienation            | Work identification     |
| Top down control           | Shared control          |
| Organizationally fat       | Lean operation          |

To achieve some of this shift, the union has pushed to break the GM mold of having top-heavy, expensive management and salary overhead costs. Today at HCI the salaried work force is small, supervisors are asked to wear white shirts and ties, but rather to roll up their sleeves and work alongside factory operators. The elitist private dining room of the GM top executive at Hyatt has been liberated; it has been converted into a training room for workers as they become better educated about worker-ownership and quality of work life efforts around the world. The parking lot, which used to have a designated area closest to the plant for management personnel, has now been opened to all workers equally on the basis of first come, first served.

*Salaried*

The old practices and attitudes are hard to abolish. For executives it means dropping the obsession with management prerogatives and beginning to view all HCI people as equals as responsible co-owners in a radical new venture rather than perceiving shop floor workers as another breed. The politics of worker-ownership require a more progressive attitude.

For the rank-and-file, changing the culture is initiating constructive change, working for the collective good rather than individual job seniority rights, in terms of quality and productivity, rather than just doing enough to avoid trouble with one's boss. Labor cannot merely react to management initiatives, but must become more responsible as co-managers. The union must engage in anticipatory problem-solving to ensure company survival and the retention of jobs.

Internal Union Politics

The road to combating plant closures through conversion to worker-ownership is not all sweetness and light for trade union membership.

*worker ownership*

From the outset in HCI, the very notion was suspect. It is a different idea, implying new challenges and a redefinition of the union's role. Members of Local 736 were at first unwilling to increase membership dues to finance a feasibility study. A large number doubted GM would really close down, and therefore felt concessions would only play into Detroit's hand.

In May of 1981 there was a bitterly contested elect leadership. Those advocating worker-ownership won in the end, but not without a lot of dissent and accusations. 44:qRt until the day ownership was transferred from GM to HCI, opposing forces attempted to kill the effort. Union meetings were disrupted, quipment in the plant was vandalized, physical fights occurred among union members, appeals were made to the National Labor Relations Board, and the local labor leaders were taken to court under the pressure of an injunction leveled by dissidents to block the sale.

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*Made by whom?*

Local 736 leaders declared themselves to be good trade unionists, concerned about jobs and the welfare of their members. The counter charge was that they were pawns in the GM game, and had sold out to corporate America. In retrospect, after months of successful bearing manufacturing and the salvaging of 800 jobs at first, and now over 1,000, the union leaders are beginning to receive some hard-earned credit for the year of struggle they put into worker-ownership. The militant activism of the past is still strong when it comes to fighting certain issues! operating tactics are also used now in contrast to the union's traditional/militancy with GM. Now, there is considerable time and energy spent creating and shaping HCI's future, being pro-active, rather than simply GM decisions in the old days.

*we need some definition or explanation of this*

Local 736 leaders did much to win over the rank-and-file in the long run by an ongoing process of information sharing. Frequent membership meetings where rumors were dispelled and tough issues confronted head-on

Ae d in the months preceding ownership. Almost weekly, leaflets were printed and distributed throughout the plant to inform members of lawyer recommendations, financial roadblocks, and the pluses and minuses of worker-ownership. This up-front orientation activity did much to dispel myths, minimize speculation, and create an informed and confident rank-and-file response to the ownership idea.

But clearly, the concept of owning one's job is not about to be embraced by U.S. workers with open arms. It re grnsiderable debate, testing of assumptions, and grassroots struggle.

? explain more  
Gully?  
why debate, what  
assumpt

The Motives of General Motors

Wir--  
L; An intriguing question in all this is why GM would agree to sell its plant to an ESOP, and not only be willing to offer an acceptable purchase price, but go beyond:-keeping the plant open until workers could prepare an ESOP, provide (financing, legal help, accounting and other organizational assistance, and political clout in Washington. The most oft repeated explanation is superficial at best: that GM simply wanted to unload a costly and inefficient plant by dumping it on one of the most militant trade union locals in the country.

With its considerable investment in the success of HCI and a three-year sales agreement, GM appears to have other interests which need to be taken into account. One is the testing of the new strategy of outsourcing, which in the end may make GM itself a smaller corporation, mostly engaged in automobile assembly rather than 1R9 such a large, monolithic structure of suppliers, vendors, and assembly all under the

Handwritten notes and symbols on the left margin, including 'Wir--', 'C', 'Jo', 'Jr to', and 'f'.

Handwritten notes at the bottom of the page, including '61t,t,-1' and 'J.v-1'.

same corporate umbrella. Another motive appears to have been to make HCI a public illustration of what workers can do for themselves to become more effective, save jobs, and preserve the industrial sector of the economy. A third motive inu4e-s--i rrtilTgne -eeerrt.Loor,ee-s-s=i • by

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Finally, GM has been concerned about its public relations of recent years. Other plant closings by Ford and Chrysler were the subject of much citizen criticism across the country--from government officials, the media, and the public. Severe economic conditions already l-:':;i{n New Jersey made the Clark plant closing extremely vulnerable to public outcry. When U.S. Steel Corporation refused to even consider selling its Youngstown, Ohio mill to its steelworkers and instead brnught in the bulldozers, the sentiment across America was outrage. GM wanted to not only offer its workers a deal, but to actively support this experiment in grassroots capitalism.

Down the road, the HCI effort may become a prototype for other GM disinvestments, providing a solid option to lost jobs and economic dislocation.

The Role of the International Union

There have always been conflicts between local unions attempting a worker buyout and the international union officers. In the South Bend Lathe case, regional and international officers of the United Steel-workers actively attempted to block the ESOP effort. In the case of Jeanette Sheet Glass in Pennsylvania, the local glass and ceramic workers union decided to withdraw from the international because top union

officials did not assist in the shift to a worker-owned firm (Woodworth 1981 (b)).

So it was in the case of HCI that there was considerable division within the United Auto Workers. UAW headquarters had a long history of dissatisfaction with Local 736. Like GM, it viewed the union as militant, perhaps even leftist beyond the political stance of the international. In a sense, Local 736 had been on the bad side of the international for years as a kind of troublesome, maverick local.

The worker-buyout idea seemed preposterous. Union officers in Detroit were not prepared to cope with the concept, nor had they any in-house expertise to evaluate what was occurring in New Jersey. In addition, they were fearful that concessions at HCI would set a precedent for upcoming industry-wide contract talks. Thus, the international officially took a position that Local 736 efforts were simply a regional experiment about which Detroit had no opinion.

Union leaders in Clark interpreted this as a rejection of the idea, and in subsequent convention discussions clearly felt criticized for attempting the buyout. However, their response tended to be one of asking what else should be done. If ownership were not the best answer, what else would be?

As of this date, relations between the two UAW levels seem to be improving. On the one hand, the international has completed current bargaining talks with GM and achieved some assurances regarding lost jobs and plant closings. On the other, HCI is proving to be a viable option for job retention. <sup>W</sup>UAW members. Currently, the international has opened its doors to Local 736 leaders and begun to seek their advice on a UAW official position regarding plant closings and worker-ownership. The

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idea is now being discussed of having an international union task force on feasibility studies, ESOP designs, and technical assistance to local UAW groups facing a shutdown.

Conclusion

The struggle to successfully design and finance a worker-buyout in the United States is a tough, complex process. As evidenced in the HCI case, it requires dynamic labor leadership, Jaarrassii:ig of highly skilled expertise which is congruent with working class values, and the sf:!:4: of various and often conflicting interest groups in achieving a super-ordinate goal--the sf:!:4: of a closing business and the right to a job.

For ownership to be successful, the HCI experience also suggests the need for power parity. In other words, there is a need for competent managers and professional knowledge of finance, marketing, and so on, coupled with a strong union, capable of long range vision and co-determination in economic decisions.

Whether or not the HCI effort will ultimately be financially viable []tlnly the future will tell. Clearly workers and management h

push hard to accomplish several things: (1) build a solid performance system assut high quality bearings, so that GM will extend its contract and other business with Ford and Chrysler will materialize within the next two years; (2) become highly innovative in seeking and d eloping new products which will free HCI up from its vulnerable dependency on the automobile industry. The extent to which this can be

done within the constraints of an aging facility, outdated equipment in

*this seems like the real task ahead given the switch to front wheel drive cars. Shouldnt there be more on this element, the one element (ie, future adaptability to market) that will make or break HCI ?*

poor repair, with entrenched GM autocratic methods of managing remains to be seen.

In spite of the long term uncertainty, the fact of the matter is that over a thousand jobs have been saved in New Jersey. A payroll which would have disappeared has gone into the work force of HCI ;; \$25 million in wages, benefits, and productivity incentives annually. Perhaps there is an alternative to large-scale economic concentration in corporate America. So far, HCI shows promise of having the internal strength and high commitment necessary to effect a grassroots political economy. Whether or not such a radical system can survive in the larger capitalistic context is still a question.

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