

MANAGEMENT – SHOULD EMPLOYEES HAVE OPINIONS

“On the one hand, therefore, manufacture either introduces diversion of labour into a process of production, or further develops that division; on the other hand, it unites together handicrafts that were formerly separate. But whatever may have been its particular starting-point, its final form is invariably the same, a productive mechanism whose parts are human beings.”

(Karl Marx (1818 - 1883). Capital – The Process of Production of Capital Pt IV, Ch 14(1867)

In his book '*Das Kapital*' and in most of his other writings Karl Marx, the German-born political philosopher, historian, social scientist, economist and revolutionary, who came from a wealthy Jewish family and long line of rabbis and who trained as a lawyer at the University of Bonn and at the University of Berlin, wrote about the continuing struggle between the owners and managers of companies, the capitalists, and the workers employed in the manufacture of goods and products, on the matter of the division of profits from such enterprises.

Apparently, according to some writers on this subject, Karl Marx based his book on the work of Adam Smith, the Scottish moral philosopher and political economist in his works '*The Theory of Moral Sentiment*' and '*The Wealth of Nations*'; and the work of Benjamin Franklin, the American author, journalist, diplomat and statesman. On the matter of the division of labour Smith suggests,

“The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities.”

(Adam Smith (1723 – 1790), Scottish moral philosopher. The Wealth of Nations, Ch V (1776))

The central tenet of '*Das Kapital*' is that labour was being exploited by the capitalists because, even though the owners and employers paid the workers the supposed market-value of their labour, the fact remained that the value of the merchandise, goods or products that the labourers produced were well in excess of the market value. The work also addresses areas such as the concentration of capital in the hands of a few, the banking and system of credit, transforming the workplace and even the rent levied on land and property.

Throughout history there have always been those who work or toil and those who make decisions or lead; from the time that man formed into tribes in order to cultivate and defend areas of land on which they settled there has, apparently, always been those who work to produce and those who enjoy positions of privilege from owning the land or the property and from wealth accumulated by a variety of means. From the time that man first began to plough the earth, sow crops and reap the harvest, hunt for fish and game or raise animals for food and material there has always been systems of bartering that allow the owner or manufacturer of one product or service to offer his products or services in exchange for other goods or services. Again, as Smith suggests,

“Upon this disposition of mankind, to go along with all the passions of the rich and the powerful, is founded the distinction of ranks, and the order of society. Our obsequiousness to our superiors more frequently arises from our admiration for the advantages of their situation, than from any private expectations of benefit from their good-will.

(Adam Smith (1723 – 1790), The Theory of Moral Sentiments, Section III Ch II. (1759))

And, eventually, with the introduction of 'coin of the realm' there came the money men or merchants who made money from buying in bulk and selling at a profit or lending sums of money to adventurers and other risk takers, who sought new materials, minerals and produce for consumption, often without real risk to themselves of course.

Whatever, capitalism has endured for the fundamental reason that whenever the state, indeed any state, attempts to control the means and the methods of production and distribution, as under communism, it fails to deliver, either because of bureaucracy or corruption or both or the simple fact that money and power will always head upwards, and the poor tend to suffer even more; capitalism is the same, but different. It is the apparent exploitation of workers that led, in many countries, to the formation of labour movements or trades unions, formed from the people of various trades, to represent the interests of separate sections of employees in order to negotiate, with the owners, capital, for a better return for the efforts of the artisans.

However, there are different forms of capitalism throughout the world. There is the fundamental American model of capitalism, a consumer-driven society, where most services are provided by private means and every individual has to purchase personal insurance to cover such services as, for example and more specifically, medical and healthcare, dental care, some aspects of education and certainly beyond primary and secondary education and all methods and means of transportation that are not subsidized in any way. And, where companies and the market is completely in the hands of private individuals and shareholders it allows for the introduction of a 'hire and fire' at will policy of employment. This might explain why the nation is so economically and socially divided where the top 1 per cent of Americans own more than one-third of the nation's wealth; and, the wealthiest 20 per cent own in excess of 90 per cent of the nation's wealth. Such divisions undermine, surely, the notion of a democratic country?

Then there is the British model of capitalism, which is loosely based on the American model but used to have a social dimension, where many public services were publicly owned and controlled. However, increasingly it is becoming more and more like the American capitalist model as such areas as basic necessities like water, electricity, gas and telecommunications and power production have been privatized and put in the hands of private investors; and, where other services such as public transport and more especially rail, have also been privatized, even though some still receive large sums of tax-payers monies in the form of government grants or allowances, services have not improved but appear to have degenerated. Even the provision of medical, dental and other forms of healthcare, in the National Health Service (NHS), are gradually but inexorably being privatized or handed over to the control and management of privately owned companies, with or without government, tax-payers, funding.

That might explain why the wealthiest individuals in UK are becoming increasingly wealthy and the bottom quartile if not two quartiles are standing still. The top 1 per cent in UK own, according to statistics, one-quarter of the nation's wealth; the wealthiest 25 per cent own three-quarters of the nation's wealth; and, the wealthiest 50 per cent own 95 per cent of the nation's wealth; the bottom 50 per cent share 5 per cent; and, the bottom 20 to 30 per cent, in terms of income, appear destined to a life of poverty, even penury. The reason for this can be laid at the feet of the policy to shift from direct to indirect methods of taxation that, necessarily, penalise those with the lowest incomes; and, also because of the very poor level of state pension that is well below pensions paid in other advanced, industrial nations. But that is a separate issue.

Then we have various European models of capitalism with some differences between each model in France, Germany, Italy, Spain, the Netherlands and the Scandinavian countries. There is no reason to assume that the division of wealth in those countries is any different to other capitalist countries, the only difference appears to be that trades unions, for the time being, tend to have a stronger base and in Germany in particular they appear to have some influence in the boardroom. The provision of education, healthcare and public transport systems appear to be better and of a higher quality in many European countries than in the US and the UK perhaps because of higher levels of taxation based on income and not indirect taxation. Nonetheless, there is no apparent effort to affect any kind of redistribution, and poverty in those countries is broadly similar to the levels in the US and the UK.

The capitalist models in Scandinavia and Japan are different again; in the former there are much higher levels of social protection and the provision of public services through higher levels of taxation; and, in the latter there is much greater involvement by financial institutions in business although recently Japan appears to have decided to follow more closely the Anglo-Saxon model by privatising areas of industry and commerce. Nonetheless, culture and tradition remain paramount and no Japanese company dare cut thousands of jobs with the subsequent loss of morale and face.

However, in the west, increasing global competition and the drive by companies to seek out country's with lower labour costs and overheads means the gradual loss of employment opportunities in all advanced industrial nations. And higher levels of unemployment mean greater strain on productivity and competitiveness, lead to lower levels of growth, possible increases in inflation and taxation and to a gradual lowering in value of national currencies, and, to higher levels of poverty. Again, as Smith suggested,

“What is prudence in the conduct of every private family can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage.

(Adam Smith, (1723 – 1790). The Wealth of Nations, Bk IV, Ch II (1776)

Some believe that trades unions are a good thing because without coordinated and consolidated power of workers ordinary employees will not or are unlikely to receive a fair days pay for a fair days work; and that without representation or at least communication with senior management employees are ignored.

Conversely, there are those who subscribe to the notion that trades unions, in the 21st century, are anachronisms, that they are politically rather than economically and socially motivated and that they are obstructive. This group, primarily owners and managers, capital, work from the principle that they have every right to employ people on individually negotiated salary and perks package for the fundamental reason that they own the company, they own the machinery and the products or services and therefore they own all the profits that are gained from the trade or barter of such products or services, and that they have the right to manage as they see fit. This is based on the 'divide and rule' principle where when individuals act or negotiate their own terms of employment and are paid as individuals then no two people doing the same work will be paid the same amount of money. In some ways this can be related to the management notion of 'performance-related pay', where individuals are paid annual increases or even bonuses based on the perceived effort of those individuals by immediate line managers.

They also tend to subscribe to the notion that employees are in no position to comment on the general management, organization, administration, education and training, strategic direction of a company and more especially on company policy issues relating to the hiring and firing of employees.

The result is a clear lack of respect from those who direct, through those who manage down to those actually doing the work to keep the organization moving and this leads to disenchantment and dissatisfaction. This position is re-enforced to some degree, perhaps, because it is capital, owners and shareholders, who take the risk by investing and employing their monies on the future success of the company or enterprise. In turn this has led, for a variety of reasons and not least because of the continual exporting of jobs to China, India and to Eastern Europe, to the situation where there is increasing lack of trust, respect, commitment and effort from employees who, rightly or wrongly, have decided that integrity and loyalty are, or should be, two-way flows from top to bottom and vice-versa and that you cannot have one without the other.

However, investing in a company is a risk that shareholders take and if it succeeds or fails it is entirely their own decision to gamble. Shareholders will, usually, have calculated the financial risk based on the area of business, the company reports and records produced by directors and senior managers, ably assisted by consultants, accountants and other financial institutions, showing the profitability and viability of the company and future business trends.

But, that is a gamble to be taken by individuals and not something that should be covered for possible loss or failure by government that is tax-payers money. Some trades unions might invest the monies of their members and monies of pension funds into commercial organizations and ventures in order to gain profit for reinvestment. But this is a risk that will have or should have been calculated.

Employees, individually, might also take a risk and invest some of their monies into the company in which they are employed, again based on financial considerations but also, perhaps, because they know the quality and demand of company products, the way the company operates and is managed and some knowledge of the market. But, again, this is a personal risk.

However, it is this continuing 'clash' between those who insist they have the right to direct and to manage and determine levels of remuneration, the owners and employers, and those who do the work and provide the manufactured products or operate the services, the employees, over what is a reasonable or acceptable rate for the work involved and what percentage increase in wages is needed given the rate of inflation and the costs of goods and services, that causes political, social and economic problems.

And that is what leads to annual discussions on how profits should be divided between owners and shareholders, managers, employees and how much should be retained for investment in research and development and in new plant and products. Invariably, when business is poor and profits are falling, capital, that is owners, shareholders and managers, will usually ask the employees to forego any increase in wages but so often they fail to explain, to the satisfaction of all stakeholders, how the pain should be shared. Indeed directors and senior managers are very often rewarded for failure! What message does that send out?

The same jobs for the same global companies, but not for the same level of wage, are carried out in different countries depending on where a company can recruit the appropriately trained people but more cheaply and this merry-go-round of job losses will increase as globalization increases. It seems that in the growing global village, where companies seek to export, outsource or off-shore jobs from developed to developing countries where labour costs are cheaper that perhaps it is time for unions to devise and implement a global strategy that brings together people working in the same trade or business to form global alliances to ensure that people are not exploited by globalization.

So often it is very clearly obvious that those at the top of the pile will profit or at the least break even whilst those at the bottom will either see no increase in the economic situation or benefit at all from the growth and profits or globalization or even lose in the employment stakes. Only very recently, in September 2005, it was widely reported in the media that bonuses, not salaries, for bankers and other financiers working in the City of London, and especially those involved in work to set up and push through mergers or acquisitions and takeovers, were about to enjoy the biggest bonuses paid for years. Bonus, not salary, figures of between £1 and £10 Million have been quoted for some 25 per cent of these bankers and the totals involved run into many billions of pounds.

And, whilst outsourcing or off-shoring jobs to developing countries, clearly to reduce overheads and increase profit margins, and telling employees that there is no such thing as a job for life, that lower and lower salaries are the norm because of the influx of cheaper labour from Eastern Europe, or rather people who will work for lower wages than the indigenous population, and also stopping or closing company pension schemes these same company directors and very senior managers appear able to ensure that they receive even bigger pay packets and share options on an annual basis. Again, what message is being sent out?

What is not addressed is the fact that many hundreds, if not thousands, of employees are likely to lose their jobs once such mergers or acquisitions are completed as the senior management in those successful companies look to reduce overheads in order to maximize profits and improve the bottom line. Is it not a very strange situation that we have one group of people in the country apparently and allegedly doing their damndest to reduce employment opportunities and in many cases send jobs abroad, whilst others are, sometimes, working to create jobs?

Also, once the family silver is sold off to foreign competition you cannot get it back and once jobs associated with that former company are controlled from another country then the likelihood of employment remaining in that locale are likely to be reduced. Is it any wonder then that many believe there is still a need and a place within society for trades unions to look after the interests of their members?

Time was when all communication between senior management and the workforce consisted of orders, instructions and general information, more often than not posted on notice boards strategically placed around the building or buildings housing the company. In general there was no means or method of communication between employees and managers let alone owners of factories, mills and engineering plant other than upwards through the chain of command and even then it was unlikely that a decision would be communicated for some time, if at all.

Other orders and instructions on general matters such as holiday entitlement, closure periods, changes in work practices and new working practices or procedures tended to be disseminated downwards through middle and junior managers, supervisors, section leaders or people called 'charge hands'. Orders and instructions were not questioned even though it may have been seen that a particular task or operation was incorrect. And, disagreement let alone dissent was unheard of because individuals were always in danger of losing their job for expressing a view, a comment, or an opinion even, that went against the wishes or decisions of the management.

People were not invited to think, employees were not encouraged to have views and opinions even though there was the possibility that experience from the 'shop-floor' could lead to improvements in processes, procedures and productivity. I do not believe that things have changed that much in many organizations because it is still directors and senior managers who make and take decisions whilst those lower down are ignored. As Peter F Drucker, the management guru and writer suggested,

"Most discussions of decision making assume that only senior executives make decisions or that only senior executives' decisions matter. This is a dangerous mistake.

(Peter F Drucker (1909 – 2005) Austrian-born US Management thinker and writer)

Nonetheless, beginning in the 1950's and up to the 1970's, the majority of jobs in UK were in manufacturing, heavy and light engineering, coal and steel production, shipbuilding and in the cotton, woolen and leather industry and associated sectors. Jobs were plentiful, work was plentiful and the system of management and control was dictated from the higher levels and employees just got on with the tasks they were given. That is, directors directed, managers managed and employees worked. However, somehow there seemed to be much greater social cohesion, even though the gaps between shop-floor, office staff and management were greater, but that may have been because of the enormous leveling effects of the Second World War.

Gradually this situation appeared to improve, during the 1960's onwards, as more and more people left secondary education with improved academic qualifications and more and more went into tertiary education via apprenticeship programmes or to university. It was to be hoped, then, that eventually the dividing line or gulf between ownership, capital, and employees might improve to the point where strikes and all forms of picketing might even disappear from the workplace because the two sides could reach a much better system of sharing the results of labour through improved communication and dialogue.

Unfortunately industrial relations took a turn for the worse during the 1970's in the UK as trades unions and trades union leaders became too strong and demanded greater increases in wages and this led to the loss of output and eventually to the loss of many jobs. It could be suggested that it was a failure of directors to continue to invest for the longer term by the introduction of new technology and by improved training programmes and the failure of management to manage; but it was also a failure of trades unions to move with the times and acknowledge the need for greater automation, especially on assembly lines, and it led to the loss of many engineering sector jobs. The invention of the microchip and the introduction of information technology on assembly lines are what caught some countries, more noticeably the UK, unprepared for the industrial revolution that happened in the last quarter of the 20th century.

We are already half way through the first decade of the 21st century and still there is discord among many areas of work and business, sometimes driven by a collapse in demand in a business sector or sometimes from external sources, for example, increases in the cost of fuel and energy supplies or raw materials leading to increases in the costs of production and overheads, which management has difficulty in controlling.

But, the main area of discontent is, increasingly, the growing gap between the rewards, pay and perks of those at the very highest levels in banking, business and commerce and at the top of companies and organizations, who always appear to receive pay increases no matter the trading conditions, and the amount that those on the lower levels are paid. Over the last decade that gap has increased considerably such that the pay of those at the highest levels is often a hundred and more times the pay of those at the lower levels; and, increased in indirect or stealth taxation instead of direct taxation of income is placing additional pressure on those paid the least.

Sometimes this discord is exacerbated because of the latest management thinking and the implementation of management programmes like downsizing, delayering, business process re-engineering, outsourcing or off-shoring, or even resource re-alignment, programmes that are used to cut overheads and costs, in other words manpower, to enable a company to survive and continue as a going concern.

Problem appears to be that in each and every one of these programmes it is labour, and certainly not directors, management and other stakeholders, who suffer the bulk of losses because labour is the easiest cost to control, especially when employment policies allow for the 'hiring and firing' of staff at will. But there is an additional failure and that is the one to invest in training and re-training employees, which means a failure to invest for the longer-term, yet again.

Regrettably these same management programmes are also used after a merger, acquisition or a takeover of another company and lead to a considerable loss of jobs, which in turn place additional burdens and stresses on individuals, on society and the economy. Therefore, is it not right that employees at all levels should have opinions and an input, perhaps not as much as managers let alone directors and let alone owners, to the way in which a company is managed so that morale, commitment, trust and loyalty are not damaged beyond repair with over-zealous job losses? As Albert Einstein suggested,

"Great spirits have always encountered opposition from mediocre minds. The mediocre mind is incapable of understanding the man who refuses to bow blindly to conventional prejudices and chooses instead to express his opinions courageously and honestly."

(Albert Einstein (1879 – 1955). German-born American physicist. New York Times 1940)

Why shouldn't people be allowed to express an opinion on any matter? Of course companies are not centres of democracy and the structures are such that decisions are always taken at the higher levels because senior management tends to concentrate on profit margins and policy and not on procedures, processes and people. However, freedom of thought, expression and freedom of speech are all part of the democratic process and should be encouraged no matter the circumstances. If there is no freedom to express an opinion and if power becomes more and more centralized then how can that be called democracy?

Where the ideas and views of leaders, be they businessmen or politicians, and on business, economic and social matters or in work practices and procedures are not thought about, discussed and questioned then you are more likely to end up with repressive regimes as under Fascism and Communism. Those who are incapable, cannot or simply will not accept comment and input be it constructive suggestion or criticism have no right to leadership and certainly not in any democratic organization.

Whatever, if someone owns a company or an organization, that is they have taken the risk and put their money into establishing a business to offer goods or services and employ people to help in providing that service, then they have every right to recruit people based on the salary level they believe the company can afford; and, they have the right to determine how much pay rise or increase they will approve based on the income and profitability of that company over a period of time. Call it the right of management if you choose.

Likewise, it is the right of an individual who might seek employment in that company to determine whether or not what he or she is being offered is what they are prepared to work for and every right to change their mind if, after experience, the work, the workload or the hours they are required to work is not what they thought it would be or are prepared to accept. So, unless greater effort is made to address the enormous difference in economic and social circumstances discontent is more likely to continue to increase rather than decrease.

As I said at the beginning Karl Marx's criticism of capitalism is based, to some degree, on the difference in value between what goods or services are worth, in terms of wholesale or retail value, against the amount that employers, capital, pay the workers to produce those goods and services and possibly taking into account the cost of raw material, power generation and transportation. He is correct in that the labour content has a value but only partly correct in that the value of goods or services is also based on what a prospective customer is prepared to pay for that particular product or service.

In that respect the value of a product or service, certainly for the last century or more, is the maximum value at which a manufacturer or provider can 'push' his product to purchasers and therefore there is often a bigger gap between value of product and wage paid to employee, therefore, there is no reason why the value of any goods or services, based on the labour effort, cannot be considered along with the amount that a prospective customer might be willing to pay. Besides, because of various marketing techniques it is possible to manipulate data and information and it is possible for there to be a degree of collusion, albeit supposedly illegal, between companies and organizations offering the same or similar goods or services in order to reach a price band or bracket they all can offer. Adam Smith was aware of market manipulation as he suggested in *The Wealth of Nations* in 1776,

"People of the same trade seldom meet together, even for merriment or diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary."

(Adam Smith, (1723 – 1790), Scottish moral philosopher, *The Wealth of Nations* Bk 1, Ch 10)

It does not help if and when they discover that, because of performance-related pay programmes and sometimes because of poor management and nepotism, someone else doing the same or a similar job is paid more, or if they are asked to accept more responsibility or take on additional tasks without appropriate increases in pay or perks to also reconsider their position; and, the right to seek redress if he or she is unfairly dismissed. As the behavioural psychologist Abraham Maslow, who wrote about the 'Hierarchy of Needs', suggested,

"We are not in a position in which we have nothing to work with. We already have capacities, talents, direction, missions, callings."

(Abraham Maslow (1908 – 1970), US psychologist)

The fact is that companies do not succeed when they fail to invest in people, and that means providing training programmes, investing in new plant and products and reviewing and updating working practices, processes and procedures in an effort to increase or improve productivity and competitiveness. There is another important area to address and that is to show a degree of respect within a company and increasingly organizations lose employees because of, possibly, the attitude of senior people.

However, it also follows that companies and organizations fail when they do not communicate strategy and plans to employees as part of the process of introducing change more effectively and efficiently; or, when they seek to increase productivity or competitiveness and undercut any competition by paying lower wages; or, if they fail to allow for the introduction of flexible work patterns and rosters or rotas that best meet the needs of their employees as well as the demands of the company.

As I have already said in another article many companies in UK Plc are the least flexible in Europe when it comes to offering more flexible hours and systems of working and that is one source of increasing frustration among employees. In America, the biggest retailer in the World seems 'hell-bent' on forcing through flexibility on its terms and not in the best interests of its employees by making changes to working procedures, availability of staff and work rosters to increase supposed productivity but more importantly increase profit margins by seeking to avoid paying overtime payments.

It seems that so often employers, for which read owners, boards of directors, senior managers and even shareholders are so often in the business of demanding flexibility from their employees but do not often allow their employees the flexibility they need in order to achieve a much more satisfactory life/work balance, in that order; and, that is not and cannot be a recipe for success.

Indeed, it is time that the order of priority in any and all organizations and companies should be changed from shareholders and investors, customers, suppliers and employees to customer, because his or her demands should be met first, followed by employees, then suppliers of material and services and then shareholders should come last. That is because if the customers demands are met, in terms of quality, quantity and price and if the employees are happy with their terms and conditions and keep providing the goods or services that the customers demand then the subsequent profits can pay suppliers and they will be happy and so will the shareholders who will receive a dividend.

It cannot and should not be beyond the wit of man to be able to reach consensus based on discussion and negotiation rather than on confrontation and threat. Globalization is benefiting a few, those at the higher levels of business, industry and commerce and in politics but it is not and is not seen to be benefiting the poorest in society, those in the bottom two quintiles of income and disposable wealth in developed countries, such that the growth in global business cannot be anywhere near a win-win situation. Sad isn't it that many still adopt a macho-style of management, with the emphasis on control, in all issues based on the notion that they know what is best not only for the company but also for the employees and the customers.

(5500 words including quotations)

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