

EMPLOYMENT AND THE QUALITY OF HUMAN RELATIONSHIPS AT WORK: THE WORKING EXPRESSION OF CHRISTIAN VALUES

BEDRICH VYMETALÍK

I. HUMAN LABOUR IN THE LIGHT OF CATHOLIC SOCIAL TEACHING

The Social Teaching of the Church stresses the meaning, value and dignity of human labour. It considers it to be the basic dimension of the earthly existence of man.¹ God created man in his image and ordered him to govern the Earth. It is precisely through his labour that Man participates in this process and realises himself as a man at the same time.² The purpose and aim of all labour, even the dullest, is, therefore, man.³

Social teaching, therefore, refuses to regard labour as a commodity. It refuses to treat man as a kind of manufacturing tool. It requires man to be treated as an originator, creator and goal of the whole production process.⁴ Even objects described as capital — the means of production in its entirety — are the fruit of human labour. Man has priority in the production process.⁵ Therefore, labour must have *priority over capital*,⁶ which, however, is a pre-requisite for human labour. *It is not possible to separate capital from labour*, nor to place capital and labour in opposition to each other.

A labour system can only be moral when it fundamentally overcomes the contradiction between labour and capital and its structure embodies the principle of labour's priority and its efficient participation in the production

¹ See *Laborem exercens* article 4.

² *Ibid.*, article 7.

³ *Ibid.*, article 6.

⁴ *Ibid.*, article 7.

⁵ *Ibid.*, article 12.

⁶ *Ibid.*

process.⁷ The right to work, the demand for a fair wage and the necessity of a solution to unemployment are therefore stressed, but an especial importance is attributed to solutions which enable employees to have joint ownership of the means of production in the form of their participation in management, profit, or property sharing.⁸ In this connection Oswald v. Nell-Breuning remarked that these are not four solutions to separate problems, but one solution to the three versions of it.

Pope John Paul II explains:

“If man works and uses a means of production in its integrity at his work, he also wishes the fruits of his work to serve himself and others as well as he wishes himself to appear in the working process as a responsible and co-creator of the subject he is working on”.¹⁰

Again he reminds us in the encyclical *Centesimus annus*:

“An enterprise cannot be regarded exclusively as ‘a capital society’. It is at the same time ‘a human society’ where those who bring the capital necessary for its activities as well as those who participate in it with their work contribute to it in different ways and with specific responsibilities”.¹¹

He then calls for development of a “true culture of labour”, which would enable to workers “full human participation in work enterprises”.¹² Such a culture of labour must be understood comprehensively in all of its four dimensions — personal, economic, social and spiritual. Only in the case of a comprehensive approach can we speak about a real culture of labour or a democratic culture of labour.

From the point of view of *the quality of human relationships at work* as well as from the point of view of a practical assertion of a culture of labour in the present world, the following three main principles are probably becoming the highest priorities:

- stressing the value of human labour and the dignity of man
- emphasising the priority of labour over capital
- the need for the collaboration of capital and labour and the possibility of labour’s ownership of capital.

⁷ *Laborem exercens*, article 13.

⁸ *Ibid.*, article 14.

⁹ Oswald v. Nell-Breuning, “Arbeit vor Kapital Kommenlar zur Enzyklika *Laborem exercens* von Johannes Paul II”, *Europaverlag*, 1983, p. 41.

¹⁰ *Laborem exercens*, article 15.

¹¹ *Centesimus annus*, article 43.

¹² *Ibid.*, article 15.

All three principles meet with considerable scepticism. They are often considered to be mere ethical proclamations, which it would be hard to realise in the present world. In the post-communist countries, there is even the view expressed that these principles represent a return to communist ideology. It is therefore necessary to answer the following questions.

- Do these principles accord with the needs of the present society?
- Will they accord with them in the future?
- Are there any examples of these principles having been implemented in practice?

These are not theoretical questions, but very practical ones. Satisfactory replies to them would provide the incentive for the concrete implementation of the Social Teaching of the Church in the present world. They are of key importance in post-communist countries, where perplexity persists about whether the past totalitarian regimes will be replaced by unscrupulous liberal societies and where the search for a more ethical way of organising the society is slowly growing. The social teachings of the Church can still play an important role here — if they did not do so immediately after the fall of communism — and, of course, if they raise sufficient interest and acquire sufficient support.

II. CAPITAL AND LABOUR UNDER SOCIALISM

The communist regime celebrated labour as the “mother of progress” and proclaimed vociferously that factories belonged to the workers. Inevitably, forty years of influence of this propaganda took root. Its consequence in people’s thinking after the recent collapse is logical: if communism gave such preference and importance to labour and yet it led society to collapse at the same time, it is obvious that such an approach cannot be useful. If the rich western countries live at an incomparably higher living standard under the rule of capitalism, it is then necessary to subordinate labour to capital, otherwise the society will fail again. Therefore, to search for new untried models is pointless. If the factories belonged to the workers and if this led to nation-wide inefficiency, it is not possible in future to advocate some kind of co-ownership of employees again. Its consequences could only be new losses and poverty. Finally, if giving preference to labour did not bring economic success, then an alternative must be sought. Here capitalism seems obvious as it will ensure that the work done is the work needed. The main drive for a recovery of the economy is money, while labour is not seen as being decisive.

These ideas are supported by the press and by political propaganda.

They would be undoubtedly logical, had labour really been superior to capital under socialism and had the factories really been in the ownership of the workers. However, *nothing of the kind really happened under socialism*. Communist propaganda did not accord with reality. The fact that many people believed it and still keep on believing it is a sad proof of its efficiency.

Under socialism the factories never belonged to the workers. They were, on the contrary, totally expropriated by the state, in the form of the party apparatus which, as the effective owner, left their running to socialist managers. The party functionaries became company managers: the company managers were promoted to party posts. It is of no importance if this quasi-ownership is nowadays described as "positional property" (D. Stark), a system of "ownership entitlements" sanctioned by political power (J. Wiseman) or "de-facto" ownership (O.E. Willismond).¹³ The overriding fact is that *the communist regime did not tolerate any kind of co-ownership with the employees*. It even considered such efforts as constituting a very dangerous path leading to the restoration of capitalism. Thus, in reality, labour had no priority over capital but was unconditionally subordinated to capital — this time to the capital administered by the party bureaucracy. Owing to the fact that the party bureaucracy held the monopoly not only of economic but also of political power, it could totally subordinate and dominate the people.

The consequences are well known: little motivation at work, low productivity, transfer of activities from working hours to private leisure time (in the worker's own garden) and gradually to shadow economies and to irresponsible economic decision-making. In spite of the tremendous concentration of capital, the communist regime never had sufficient real capital. It was not able to produce it by an efficiently managed production process and to invest it wisely in the development of the economy.¹⁴

The economic failures of communist regimes are therefore precisely the result of a concentrated subordination of labour to capital and the total expropriation from employees in favour of state power. It can be concluded that the way out of these failures should, on the contrary, be based upon the priority of labour over capital; that it should enable self-realisation of people at work, and that it should search for ways of "de-expropriating"

¹³ For details see e.g. the article by the Czech economist Lubomir Mlcoch "Re-structuralisation of Ownership Relations Regarded through the Eyes of an Institutional Economist". *Pol Ekonomie*, No. 3/95.

¹⁴ For details see also Vymetalik-Hengsbach Hansen, *Costa ke k cloveku* ("The path to man"), Scriptum 1993, p. 23ff.

employees. It would be a pity to neglect this possibility, particularly in post-communist countries. Is it, however, a realistic and suitable way forward for industrially developed countries?

Does it make sense for developed countries, where it seems that economic growth has already led beyond poverty and where notions about the subordination of either labour or capital are unrealistic? Is it compatible with the changes that our present world is currently undergoing, some of which we remain unaware, but which nevertheless are significantly changing the face of our civilisation?

III. WORLD PROBLEMS REQUIRE NEW APPROACHES

Undoubtedly we live in an era of upheavals which influence practically all aspects of our lives. The world has changed beyond recognition in the last decade and it keeps changing. As the pastoral constitution *Gaudium et spes* of the Second Vatican Council rightly states:

"Human generations live nowadays in a new phase of history in which deep and quick changes gradually spread all over the world. They were induced by human inventiveness and creative efforts, but these changes affect them in feed-back, they influence human reasoning, individual and collective interests, ways of thinking and behaviour in relation to things as well as to people. We can therefore speak about a real social and cultural transformation which also reflects religious life".¹⁵

The character of these changes and their consequences are nowadays being analysed from very different points of view. Such evaluations are not very encouraging. The world summit on social development held in March 1995 under the auspices of the UN demonstrated some shocking facts. Some 1.3 billion people in the world live in poverty. Some 13-18 million people die annually due to causes related to their poverty. Poverty occurs increasingly in the least developed countries. The indebtedness of developing countries is some 1.4 trillion dollars, which is almost double the amount ten years ago. Repayment of these debts means a drain on capital from developing to developed countries. Some 120 million people — out of a world active population of approximately 2.8 billion people — are unemployed. Apart from this, approximately 700 million people could be classified as under-employed, i.e. people whose employment is in occasional, part-time or non-productive jobs. Unemployment in industrially

¹⁵ *Gaudium et spes*, 4.

developed countries is also running at unprecedented levels. It represents some 93 million of unemployed in Western Europe alone.¹⁶

The idea that scientific and technical progress will continuously ensure new jobs has collapsed. It is obviously not able to ensure this even in developed countries. The trust in the omnipotence of economic growth has been lost. If it continues at the same rate and in the present form, it will sooner or later bring about environmental destruction of our planet. The only alternative obviously consists in the joint action of all the constitutive forces: if everything is left to uncontrolled development, then no changes for the better can occur. American vice-president Al Gore justly calls for "a new Marshal plan" which would focus the energy of various countries upon a common effort to create a permanently sustainable society.¹⁷

Calls are being made for the establishment of supranational institutions to solve the problems which cannot be remedied within the framework of national or international action. It is already obvious that problems such as cash-flow control, environmental protection, repression of terrorism or armaments control, must be resolved on a world-wide scale.¹⁸

Professor Schasching's appeal, in the same vein, for a solution to labour problems is equally justified: "The only alternative consists in the union of constructive democratic forces. This requires a high degree of responsibility, expertise and experience. A consensus about the common aims is, however, equally necessary".¹⁹

The social teaching of the Catholic Church can help to build consensus about the common aim even among atheists and without any ideological pre-conditions. This would be a consensus which fully recognizes human dignity and the needs of labour and capital today. Current developments in developed countries confirm this and at the same time demonstrate the possibilities open to other countries. The relevant findings *show that for the success of the enterprise it is nowadays necessary to obtain the active interest and collaboration of workers* and that this is impossible without respecting their individuality and human value. Democratic culture today represents new possibilities.

¹⁶ Zdenek Drabes, "Hledá se strategie pro spravedlivejší svět" ("In search of strategy for more righteous worlds"), *Ekonom*, No. 9/95.

¹⁷ Gore, A., (1992) *Earth in the Balance: Forging a New Common Purpose*, (Czech translation "Zeme na misce vah"), London: Earthscan, p. 295ff.

¹⁸ Drucker, P.F., (1993) *Post-Capitalist Society*, (Czech translation "Postkapitalistická společnost"), Oxford: Butterworth-Heinemann, pp. 128-141.

¹⁹ Schasching SJ, Johannes, "Auf dem Weg zur Kultur der Arbeit", *Unser Dienst*, No. 1/95, p. 23.

1. *Necessity of new relationships at work*

The present world is characterised by the rapid growth of the rate of scientific and technical progress and by an increased call for the freedom of individuals. Significant qualitative changes, radical leaps, the entry of new generations of products and technologies and their numerous and continuous improvements are occurring in developed countries.

Because *knowledge is considered to be the basic source of economic wealth in developed economies*,²⁰ this not only increases the requirements in terms of the qualification and expertise of workers, but also it involves their individuality.

The work of qualified specialists cannot be managed by command methods any longer, for their special expertise cannot be efficiently controlled. It is necessary to create conditions in which they alone, without supervision, will apply maximal effort at work and fully use their qualifications for the benefit of the company. It is necessary to enable them to enjoy their work so that they are satisfied and seek further improvements on their own initiative. Such conditions are also congruent with demands for greater freedom and autonomy in the working process. People want more responsibility and self-realisation nowadays, to work without coercion; in short, they want more democracy in relation to work.

On the other hand, the inherited complexity of the division of labour and the defensiveness of labour organizations do not encourage the worker to concentrate on his/her own performance in the context of new technologies. Yet the success of the production process depends on the collaboration, the performance, and the ideas of those involved. It calls for new teams and co-operation where everyone should contribute knowledge and innovations.

A change in working conditions makes change necessary in the system of labour as well as in the management process. It induces the need for a partnership between responsible workers and responsive managers.

This need does not concern qualified specialists alone but relates to a broad spectrum of activities which have been transformed to incorporate the broad area of work in the service sector and less physically demanding work entailed in working with new techniques. Entrepreneurship these days is rather like a soccer match, with momentary changes affecting the field of play. Nothing can be predicted, because predictability involves a clear target, demarcation of the context and clear rules of the game, which serve

²⁰ Druckcer, P.F., (1969) *The Age of Discontinuity: Guidelines to our Changing Society*, (Czech translation "Věk discontinuit"), London: Heinemann, p. ix.

to define individual responsibilities. Now everyone must watch his co-players during the game as well as the process as a whole. The coach gives advice and encouragement, but he does not interfere during the game. This requires the engagement of the players' personalities, because they have to exercise their own discretion on the field of play.²¹

Therefore, it is not possible to achieve further growth in productivity without changes in management methods. This growth is necessary for success in world competition, for the alternative is stagnation and bankruptcy. After all, further growth in world population, without corresponding economic growth, would only mean a further deepening of famine and poverty.

Another question is whether this growth in productivity should be globally guided and oriented, especially in relation to the rapid creation and development of environmentally-friendly technologies and other measures which would help to reduce unemployment, whilst not increasing the menace to the environment itself. On the contrary, these would be focused on developing conditions which contribute to the creation of a permanently sustainable society.²²

The necessity of a growth in productivity affects both highly qualified specialists as well as workers in the service sector. In practically all his works, P.F. Drucker highlights the danger of the increasing gap between qualified specialists (knowledge workers) and other service workers, unless an appropriate growth in productivity is ensured in their case, too. He sees the way to avoid this as being to increase the responsibility of these workers, to up-grade their qualifications, and to ensure their greater participation as suppliers of external services in the partnership. Thus Drucker stresses: "In knowledge and service work, partnership with the responsible worker is the *only* way; nothing else will work at all".²³

2. Change of structure of workers

The changes described above are also related to well-known changes in the structure of the labour force. The number of industrial workers is decreasing, while industrial production is increasing. In the period 1980-1986, for example, employment in industry dropped together with a simultaneous increase in production in certain countries as follows:

²¹ Then, W., (1994) *Die Evolution in der Arbeitswelt*, Inno Vatio Verlag, p. 302.

²² Gore, A., (1992) *Earth in the Balance: Forging a New Common Purpose* (Czech translation "Zeme na misce vah"), London: Earthscan, p. 273.

²³ Drucker, P.F., (1993) *Managing for the Future: The 1990s and Beyond* (Czech translation "Cestou k zitrku"), Oxford: Butterworth-Heinemann, p. 91.

COUNTRY	INDUSTRIAL EMPLOYMENT	INDUSTRIAL PRODUCTION
USA	92	124
Germany	89	103
France	84	106
Sweden	88	116
Switzerland	95	105 ²⁴

At the same time there is a massive recession in some basic industries like steel making, ship building, textiles, coal mining and economic depression in the regions where these industries are situated. Some other industries are also suffering lesser decreases. The service sector on the contrary is expanding. In developed countries it represents more than two thirds of the labour force. A comparatively lower proportion of services persists in Germany, which in 1985 was only 53.6%.²⁵ This lower proportion is explained by the fact that approximately 40% of positions defined as falling within the industrial sector in fact belong to the service sector, albeit services provided inside the company. These are being recognised as such only after these services become separated from the companies.²⁶ It is also important to stress that many services, especially newly emerging services, have a direct or indirect relation with new technologies, i.e. they are "technology-driven". Hence the need for experts — specialists for working with new technologies — is rising in all the sectors. Qualified knowledge workers and service workers thus become the decisive social groups in developed countries.²⁷

Robert B. Reich, Professor at Harvard University and the Secretary of Labour in President Clinton's cabinet, even says that classical capitalists are now being replaced by "managers of the second generation", whom he calls symbolic analysts (SAN). They are people who work in the broadest sense with information in a creative manner and are able to resolve problems in a systematic way. According to Reich, three quarters of American workers could be divided into sub-groups of routine workers, service workers, and SAN. The rest are government employees, employees of regulated indus-

²⁴ Clarke, O. & Niland, J. eds., (1991) *Agenda for Change: An international analysis of industrial relations in transition*, Sydney: Allen & Unwin, p. 5.

²⁵ *Ibid.*, p. 66.

²⁶ Riesenhuber, H., (1994) "Neue Produkte - Neue Arbeit", in *Arbeit der Zukunft - Zukunft der Arbeit*, Stuttgart: Schiffer-Poeschel Verlag, p. 88.

²⁷ Drucker, P.F., (1993) *Post-Capitalist Society*, (Czech translation "Postkapitalistická společnost"), Oxford: Butterworth-Heinemann, p. 7.

tries, and some 5% are employed in agriculture and mining. Thus, the share of industrial workers decreases, the share of services workers remains stable, but the dependence of both categories on SAN increases. SAN have the majority of economic and political power. It is said that society could now become split into two great groups of unequal number, the first group being formed by SAN (approx. 20% of the population) and the second being formed by the remaining 80%.²⁸

The growth in the need for qualified specialists and also the growth in the service sector (with a simultaneous decrease in the share of the industrial sector) can now be considered characteristic of most developed countries.

3. The chance for a democratic culture of labour

The growth in the proportion of knowledge workers and service workers requires new methods for achieving their highest efficiency. It was possible to split manual labour in industry into optimal partial operations and thus to create conditions for higher efficiency. Even in this kind of work the activity and initiative of responsible workers made a contribution, but it is quite indispensable in the case of specialists and service workers. To obtain great efficiency from them entails winning their active interest which is impossible if the work does not satisfy them, motivate them or convey that they are respected as human beings. That is why new management methods are being sought, which would engender more interest and initiative among people. They bear a wide variety of names: "Total Quality Management", "Lean Management", "Human Sources Management", etc., all of which share a common core underneath their fashionable labels as has been affirmed by Dr. Wolfgang Riezele, member of the board of directors of BMW in Munich:

"The common core will remain: The idea of a hierarchical company organisation — where a powerful management orders an ordinary worker how, when and what to do — has been abandoned. Instead of this outlook, imagination, creative abilities and the engagement of every individual are required, mobilised and introduced into the creative process This means first of all that every collaborator must have the possibility to identify himself with the common goal of the company. This is the proper role of management: to define an acceptable and binding system which gives the workers motivation and sufficient space for their best possible contribution to the success of the company".²⁹

²⁸ Reich, R.B., (1995) *The World of Nations* (Czech translation "Dílo národu"), Prostor, p. 202.

²⁹ Reitzle, W., (1994) "Die neue Rolle der Arbeitgeber", in *Arbeit der Zukunft - Zukunft der Arbeit*, Stuttgart: Schiffer-Poeschel Verlag, pp. 212-3.

Such new management methods are not based primarily on human concern, but are driven by company interests in improved development, competitiveness, productivity and profit. However, it is becoming recognised that these goals cannot be attained in a developed society without the active engagement of workers by giving them more responsibility, more self-fulfilment and more autonomy in the working process. Superficial modifications are not sufficient anymore. "For the first time in the history of industrial nations the coming years will bring competition not only in prices, creativity and quality, but also competition in labour and company culture and the appreciation of man and his value in the world of labour"³⁰ (Werner Then, chairman of the German society for management and director of the Institute for innovations in the system of labour in Nürtingen). He adds that in this way the century presents the opportunity to realise the dignity of human labour in modern economics with a democratic culture.

In this context the social teaching of the Church becomes congruent, with its stress upon the dignity of labour, human dignity and freedom. For these tenets fully accord with conditions in contemporary industrial society and they can play a positive role in the area of labour. Social teaching does not represent something distant and abstract, because the dignity of man can be given priority in the system of employment in modern society, if the appropriate policies are adopted with conviction.

This dignity is not compromised by the fact that the work is still connected with strain, for that is to participate in a small way in the sufferings of Christ as stated in the encyclical *Laborem exercens* (article 27).

Precisely by drawing more upon human motivation, the new culture of labour reduces the use of constraint and makes it possible to transform external constraints into self-restraint. This change is undoubtedly very positive, although it is not easy, not always successful and is necessarily a long-term process.

³⁰ Then, W., (1993) *Der Mensch im Mittelpunkt*, Inno Vatio Verlag, contribution given at the 8th Freiburg discussions: Von Wandel und den neuen Erwartungen der Mitarbeiter im Konzern, p. 226.

IV. THE POSSIBILITIES OF A NEW CULTURE OF LABOUR

1. *Elements of a culture of labour in Human Resource Management (HRM) methods*

The methods of labour management in use today (under different names) cannot, however, be considered as embodying the social teaching of the Church without some further explanation. For example, the Human Resource Management (HRM) model contains a number of elements which correspond to the ideas of this teaching, or at least are not in contradiction with it, and rightly consider human sources to be the decisive factor in production, which must be "nurtured as a valued asset".³¹

However, if these methods treat people *only* as a source of productivity and profit (in spite of the proclamations to the contrary) and do not take into account their subjectivity and human dignity, they can then lead to increased exploitation, to the detriment of the workers and finally to the loss of the company as well. In this connection Ludek Rychetnik draws attention to the criticism of Keenoy (1990), according to whom "the normative humanistic rhetoric of HRM is a means for manipulating meaning and its primary purpose might be to provide a legitimate managerial ideology to facilitate an intensification of work".³² He also highlights other criticisms in the same vein (Garrahan and Stewart 1992, Sewell and Wilkinson 1992). According to Hart (1993) the HRM approach has ousted "the decent, caring and humanistic values of personnel management".³³

Nevertheless, there exist a number of positive examples of using HRM methods, which have improved the efficiency and activity of workers and at the same time have favourably influenced their position within the working process. The implementation of HRM methods in the Ford company in the USA and in some other American companies has attracted considerable attention.

It appears that a change of an approach to the human factor alone can bring about considerable changes in the corporate climate, even if it is introduced for purely entrepreneurial interests.

³¹ Storey, J. (ed), (1995) *Human Resource Management: A Critical Text*, London and New York: Routledge, p. 5.

³² Rychetnik, L., (1995) "The Management of Labour: The Way to an Economic Miracle?", Report for EA EPE Annual Conference, Krakow, October 1995, p. 7.

³³ Storey, J. (ed), (1995) *Human Resource Management: A Critical Text*, London and New York: Routledge, p. 23.

2. The experience of the Ford company

The Ford company encountered a lot of problems in 1980. Customers were not satisfied with the cars produced and the company's share of the market was decreasing. The Ford company suffered a loss of 5.1 billion dollars in that year, which was the second biggest loss in the history of US corporations.

In response three top managers of the company — Petersen, Page and Poling — initiated an evaluation of Japanese findings on the key elements for transformation, which they expressed as the three "P"s: People, Products and Profits. According to Petersen this represented a radical change in both the philosophy and culture of management. Prior to that employees were simply regarded as a means to profit, but now they themselves were accorded a key value. They issued a statement about the mission, values and guiding principles and prepared a letter to all the employees in which they stressed that company policy consisted in supporting and enabling all employees to participate in management and to contribute to the company's success.

Participation in management began by the formation of problem-solving groups and of quality circles. Subsequently, involvement was extended to include participation in other processes usually reserved for management, such as planning, goal setting, communication and decision-making. Finally, the forms of participation of employees in management were studied in 40 outstanding US companies, out of which 6 firms were selected: IBM, TRW, 3M, General Electric, Dana and Hewlett-Packard.

Ford concluded that these companies had ten things in common.

i) Each firm circulated a statement of corporate goals and values, and its executives spent 50 to 80 percent of their time outside of their offices, trying to communicate those ideas to their employees.

ii) All six emphasized the importance of people and respect for every individual. They agreed that the skills and quality of their staff were their only competitive advantage. Products or technology can be purchased, but usually do not advance the company's position for long.

iii) They substituted trust for strict rules and controls. When the task force met with Hewlett-Packard CEO, John Young, one of the first things he said was "We trust our people".

iv) Every firm insisted upon being customer-driven. IBM told the task force that there were very few ways an IBM employee could get fired, but one of them was keeping a customer waiting or letting a phone ring more than twice in a customer service centre.

v) All six used teamwork, particularly multi-departmental teams, to develop products and services at the cutting edge.

vi) They tried to eliminate levels of management and to play down authority. At one Dana plant there were only three levels; hourly workers, their bosses and the plant manager.

vii) The companies emphasised free, open, face-to-face communications. Hewlett-Packard called this "management by wandering about".

viii) Managers relied on peers and, occasionally, on subordinates to help evaluate other managers. Team players were promoted over individualists.

ix) All six offered sophisticated training for managers, as well as for hourly employees.

x) Managers of the corporations made a habit of asking their people, "What do you think?" (Petersen 1991).

In 1980 Ford started to use these new approaches in the development of a new car, Taurus-Sable, planned as the best car in its class. The company succeeded in effecting a substantial reduction in components and increased the professional involvement of the workforce. Quality then increased, with only 1% of the cars needing repair, in comparison with the previous rate of 10-15%. The car had Japanese quality and European style. Some 250 million dollars were saved in the development of the car and the period of development was shortened from 6 to 4 years.³⁴

3. Implementation of HRM in other companies

David Mercer, who spent 15 years in IBM, described its corporate philosophy as a partnership between the employees and the employer, based on mutual trust. The stress is put on full employment and security at work. Other principles comprise: respect for human dignity, emphasizing individuality, extended communication, support for individual development, participation in management, and the development of autonomous teams and cells, which are the building blocks of a newly emerging cellular organisation structure, which will probably predominate in the next century.³⁵

³⁴ Starkey, K. & McKinley, A., (1993) *Strategy and the Human Resource: Ford and the Search for Competitive Advantage*, Oxford: Blackwell Business.

³⁵ Mercer, D., (1987) *IBM: How the World's Most Successful Corporation is Managed*, London: Kogan Page.

John Storey lists 25 attributes which together characterise the HRM style. According to a survey carried out in 15 miscellaneous organisations, all of them applied at least one of these elements. The results were similar in a survey carried out later in Leicestershire in 560 firms with 15 or more employees. Furthermore, this produced the interesting finding that although it had been presumed that new management methods were characteristic of big companies, the results showed that a considerable portion of small and medium companies were also interested in implementing these methods.³⁶

4. *Examples of joint enterprises in Germany*

Human Resource Management and other similar methods do not solve (with a very few exceptions) the problems of integrating labour and capital. This integration can be achieved by employees sharing capital holdings in combination with their participation in management. In general financial participation alone is not very efficient either for the company or for the employees. Only if it is used comprehensively, together with participation in management and other well-tried elements of HRM methods, does it have positive results.

Companies in Germany, which attempted to make their employees not only partners, but even co-entrepreneurs, can be used as an example. Their methods are described by Paul Halbe, *Die neuen Unternehmen*,³⁷ which examines 12 German companies of various sizes and from different regions of the country. They included companies owned by individual entrepreneurs, joint stock companies, limited liability companies, as well as limited partnership companies. All of these companies gradually applied, in part or in full, the 7 basic principles of corporate relationships related to financial management. Those companies, however, which had applied all the 7 principles were the most successful in the market.

The principles are the following:

i) *Full knowledgeability* of workers about company activities, results and aims. The worker must have the feeling that management really considers him to be its partner; that it trusts him, that it does not hide anything from him and that it relies on his contribution. This includes full knowledgeability about capital flow, wages, dividends and royalties. It also involves the creation of trust and an enterprising atmosphere. Multi-faceted

³⁶ Storey, J. (ed), (1995) *Human Resource Management*, London and New York: Routledge.

³⁷ Halbe, P., (1991) *Die neuen Unternehmen: wie aus Mitarbeitern Mitunternehmer werden*, Freiburg: Rudolf Haufe Verlag.

information, communication and openness are the first pre-requisites for the conscious participation of employees in the company's activities.

ii) *Education and training.* If the developed world becomes a society of knowledge, it is necessary to impart the required knowledge to all the workers. It is needful to ensure a long-term growth in their professional standing, to appreciate their suggestions, to guide them to become interested in innovations, to inform them on the newest findings related to their fields, to teach them inter-personal relations.

iii) *Creation of conditions for the greater independence, responsibility and self-realisation of employees enabling their professional co-operation.* This comprises the use of well-proven HRM methods, the creation of autonomous production groups, the use of teamwork and decentralisation.

iv) *Time ownership.* A new culture of labour is not confined to employment, but encourages workers in other activities as well, including use of leisure time, fostering the creation of new communities and relations. The distribution of working time which best suits the individual performance of the worker is allowed, when feasible, and individual working hours, part-time work and flexible working hours are made possible.

v) *Motivation in remuneration.* Wages and bonuses still constitute the most basic security of the worker. However, certain other motivating components are recommended, such as profit-sharing and the so-called "investment salary", through which the worker would share in the company's productive capital.

vi) *Participation in management* in various forms. A broad range of decision-making is left to the employees. Organisation ceases to be managed structurally, but is oriented towards processes, people and customers. The employees should be drawn into the management process in such a way that they feel they are really participating.³⁸

vii) *Financial participation in the company's results and preferably a share in productive capital.* Forms of this vary, from the monthly sharing of profit to remuneration at the point of retirement, from the donation of capital shares to shares fully purchased by the employee.

³⁸ Werner Then, in his book *Die Evolution der Arbeitswelt*, highlights the idea of Martin Weizmann according to whom employees should not have a fixed salary but rather should have a share in the company's results. These shares would rise or decline in relation to the company's results. Individual work groups evaluate and divide among themselves according to their own working contribution. Quoted p. 344.

The form of financial participation often changes, for example, from monthly profit-sharing to stock-sharing or to a sleeping partnership. Some companies use an independent employees' company for capital-sharing. Such companies proved to be especially useful, as they provide an overview of involvement, control and utilisation of capital. The border between labour and capital is eroded as employees can partly attribute the economic growth of the company to their own money. In this case, capital emerges from its anonymity.

The companies described above also confirmed another important finding. Sharing and participation is most efficient in smaller entities, where people are not strangers. It was found that if the number of employees exceeded approximately 200, it was better to create smaller units. In any case the entity should not exceed 500 employees. A characteristic feature of these companies is the fact that they develop entrepreneurship amongst the workers. This is an important idea, which is supported by the social teaching of the Catholic Church and one which evidently brings benefits to companies themselves.

It is necessary, however, to stress that:

i) The companies described above did not represent a conscious implementation of the social teaching of the Church, with a few exceptions like the Hettlage company. Nevertheless, some other companies departed from purely business-like considerations and their approach apparently paid off. Brune Hettlage himself declared in 1984: "I do not regret for a single moment that I had invested 21 million DM in this idea".³⁹

ii) Policies of joint entrepreneurship do not automatically mean the success of the company: these measures support better human relations inside the company which have the possibility of increasing efficiency. However, management style is decisive, for a manipulative employer who introduces these methods only to get more productivity out of people, distorts these policies and may lose money in the process.

iii) The basic pre-requisite of successful implementation is the commitment of management in applying these principles. They cannot be implemented "from the bottom up", but come from management, be it an individual businessman or a team of executives. All companies are also "tailor made" according to the way in which managers interpret and implement these principles. Nevertheless, this indicates that within the frame of

³⁹ Halbe, P., (1991) *Die neuen Unternehmen: wie aus Mitarbeitern Mitunternehmer werden*, Freiburg: Rudolf Haufe Verlag, p. 58.

Christian ethical principles, it is possible to offer a broad palette of possibilities for choice and responsibility.

There are often objections raised against sharing and participation in companies: if these companies are so successful, why do they not expand much more than they did? Paul Halbe's answer is that entrepreneurs are held back by vested interests in their positions. They are afraid that it would not work unless they retained their managerial control. They do not want their workers to know their incomes and the incomes of the top managers, or to become acquainted with the company's financial situation. They do not want "to step out of their own shadows".

Another probable reason may be an entirely natural fear of change and uncertainty as such. Controlling a process of change is very demanding and requires special managerial "know-how". The larger companies hire specialist consultants for this purpose, while the small company usually cannot afford such an approach. That is why successful examples play such an important role as they can serve as guidelines. Implementation of a new culture of labour undoubtedly imposes considerable demands on management: courage, determination, purposefulness and concerted efforts.

Paul Halbe also describes how in the early eighties many entrepreneurs began to visit Eifelfort because it was rumoured that the Wolcraft company used employees' participation with great success. The company owner, Robert Wolff, gladly explained it and he did not hide the fact that he did it in order to make a higher profit. Many questions were asked in the discussion: What wages do you pay? How many partners do you have? What do your employees do with their money? And many objections were raised: You are the founder, it is easy for you, You are successful if the company grows. If you are doing it for greater profit, you are a sophisticated exploiter. You risk the future of the company if you throw away money, something like this could not be risked in our company. The objections raised served as justifications for retaining the *status quo*, but the dialogue stimulated thought.⁴⁰

The example of German companies striving for suitable forms of joint entrepreneurship with the employees, in the interest of achieving higher profit, confirms that this can bring about the benefit of greater involvement for workers who can thus better realise themselves at work as human beings. They thus represent a further impulse towards a democratic culture of labour.

⁴⁰ *Ibid.*, p. 15.

5. *The priority of labour over capital and the example of Mondragon*

The social teaching of the Church stresses the priority of labour over capital. This principle is usually understood as an ethical requirement which reflects respect for the human personality in the working process, based on an unquestionable priority of man over things. Subordination of capital to labour from a purely economic perspective is not usually considered possible.

However, the example of Mondragon shows that such subordination is possible and that it can bring about economic success. Mondragon is a town situated in the north-eastern part of Spain, in the Basque province of Guipuzcoa. In the fifties a group of enthusiasts for a new type of democratically managed and humanistically oriented enterprises, consciously based their new initiative on the social teaching of the Catholic Church being inspired by a Catholic priest, Don José Maria Arizmendiarietta. In 1956 they built their first factory which was co-owned by those who worked in it. They used the legal form of a co-operative, a traditional concept which they further developed.

The first factory was called ULGOR. There were 24 men and 2 women working in it, producing cookingware, and it did not go bankrupt. Gradually other enterprises emerged based on the same principles and were exceptionally successful. In a mere 20 years more than 80 enterprises were built in Mondragon, employing more than 17 thousand workers; all co-owners of their companies.

In 1960 they founded a co-operative bank, Caja Laboral Popular. In 1977 they founded a special co-operative for research and development, IKERLAN. They also created a large consumer co-operative, EROSKI, the annual turnover of which was 73,860 million pesetas according to the annual report of 1990. In that year they created 579 new jobs and their stores were visited by some 23.1 million customers in 1990.⁴¹ In 1964 they formed a Union of co-operatives, and twenty years later they established the General Council as the co-ordinating body of the co-operative.

According to data for 1988, the Mondragon group already numbered 165 co-operatives with more than 21,500 members. Over one million Basques were related in one way or another to the co-operative movement. In 1988 the volume of sales of the Mondragon group was 205,000 million pesetas.⁴² A rural backwater had become a flourishing industrial town.

⁴¹ EROSKI, (1991) Annual Report.

⁴² *Guía Básica del Socio Trabajador*. Caja Laboral Popular, Mondragon.

The following 3 ideas are considered to be the key to Mondragon's success:

i) *A democratic structure of management* — All the members vote at the General Assembly for a nine-member Supervisory Board, which nominates managers for a period of 4 years. Every year 2 members on the Supervisory Board are re-elected. Election takes the form of a majority vote at the General Assembly where every member has one vote. As soon as the managers are elected, they have full authority and management power. The Supervisory Board can criticise their measures at consultative meetings, but it cannot change them. The Mondragon democracy does not mean that anyone can necessarily become a manager. It means self-imposed subordination to the elected bodies and at the same time that these bodies are accountable to the members of the co-operative as owners.

ii) *Individual internal capital accounts* — Some 70% of net profit goes annually to these accounts and 20% goes to the reserves of the company. The profit remains on the account until the retirement or departure of the member. Otherwise they only receive 6% of the real interest annually. In this way the company has at its disposal some 90% of profits for its use, which represents a substantial competitive advantage in comparison with other companies. The members, on the other hand, are not interested in increasing their wages to the detriment of re-investing profits. At the point of their retirement they get a decent lump-sum, which can exceed \$ 25,000.

iii) *The co-operative bank* creates an umbrella for the whole co-operative group, by tidying over the co-operative's problems, and ensuring the establishment of further new companies. In the 30 years since its foundation, it already belongs to the 20 biggest banks in Spain.

The Mondragon companies achieve higher productivity and higher profits in comparison with other capitalist companies. They also have a better social climate, more satisfaction at work and better security for the workforce. The people themselves feel like true owners and co-entrepreneurs, who not only participate in financial management, but can also influence it. Here capital is subordinated to labour not only in the statutes of these companies, but also in real life.⁴³

It is probably not possible simply to transfer the Mondragon experience to another environment, for it is an explicit and practical imple-

⁴³ Lutz, A. & Lutz, K., (1988) *Humanistic Economics - The New Challenge*, Bootstrap Press, especially chp. 12 "Humanistic Enterprise: The Case of Mondragon". *Guía Básica del Socio Trabajador*; *Textos Básicos de Ojalora* - Obra Social de Caja Laboral Popular; *The Mondragon Experiment* - Caja Laboral Popular.

mentation of ideas drawn from the social teaching of the Catholic Church. It is, however, an example of a very successful operationalization of them which demonstrates that a democratic culture of labour in the spirit of this teaching is not only possible, but economically viable.

It showed that to accord priority to labour over capital is realistic. This subordination is also practised in other enterprises in which the communities of employees have a decisive share in the company's property. Some companies in the system ESOP (Employee Stock Ownership Plan) belong to this group, but only those which respect democratic relationships in the community of employees. Not all of the ESOP companies comply with this requirement. The comparatively quick growth of the ESOP profits since 1956, which continues in spite of numerous criticisms, obviously requires a new objective evaluation.

6. Problems of pension funds

The institution of pension funds in developed countries is sometimes given as an example of the subordination of capital to labour. These funds are being quickly consolidated in the USA and gradually in other countries too. They have a growing control over the investment and distribution of money. In 1992 they owned half of the capital stock of big corporations in the USA and they provided these companies with almost the same volume of long-term credits.⁴⁴

The resources of the pension funds derive from salary deductions which are held back or put aside. They are accumulated in order to provide future pensions. P.F. Drucker concludes that the employees collectively own the means of production through the pension funds:

"The people who exercise the voting power for the employees are themselves employees, e.g. the civil servants who manage the pension funds of states and local governments in the United States. These pension-fund managers are the only true 'capitalists' in the United States. The 'capitalists' have thus themselves become employees in the post-capitalist knowledge society. They are paid as employees. They think as employees. They see themselves as employees. But they act as capitalists. One implication is that capital now serves the employee where under Capitalism the employee served capital".⁴⁵

These conclusions will probably not be uncontested. The ownership of employees of the pension funds is strongly reminiscent of collective socialist

⁴⁴ Drucker, P.F., (1993) *Post-Capitalist Society* (Czech translation "Postkapitalistická společnost"), Oxford: Butterworth-Heinemann, p. 5.

⁴⁵ *Ibid.* p. 60.

ownership, in which the actual realisation of owners' rights was left to the socialist managers. Where the pension funds are concerned, it is left to the "capitalist managers". In socialist regimes, capital was never subordinated to labour. This is obviously not the case with the pension funds either. It seems that this situation is analogous to "positional ownership" or "de facto" ownership. These questions will undoubtedly require more thorough consideration. Moreover, in conditions of increased unemployment, this form can constitute a considerable risk to the employees.

V. HORIZONS IN THE 21ST CENTURY

The position of managers not only in pension funds, but throughout society, as well as the growing importance of experts who possess knowledge and are able to use it in a creative manner, confirms that it is precisely these groups which acquire the decisive role in a developed society. Robert B. Reich speaks about "managers of the second generation" and calls them symbolic analysts (SAN).

According to Reich, the SAN are becoming the real motive power of global economics, whose contribution to the success of the product or service will continue to grow, whilst that of workers and other employees will decline. Their salaries are growing quickly and will soon lead them to be classed among the richest citizens, while the differential remuneration of the remaining 80% will continue to deteriorate.⁴⁶ The danger of new "class" contradictions and social conflicts is obvious. The establishment of democratic relationships in the working process may again be endangered.

Robert B. Reich sees the way out as consisting in more learning opportunities and in the creation of conditions for the broadest possible access to education. He advocates tax redistribution so as to enable all talented citizens to become SAN. He recommends the enrichment of working positions by the broader access of workers to computer information and by enabling them to influence production in order to improve efficiency. A similar approach is endorsed for so called personal services. If the main wealth of the nation is its labour force, then it is necessary to do everything possible to harness it to global competition.⁴⁷ P.F. Drucker also sees the key to achieving of appropriate incomes and the dignity of service workers as being an increase in their productivity.⁴⁸

⁴⁶ Reich, R.B., (1995) *The World of Nations* (Czech translation "Dílo národu"), Prostor, pp. 193-207.

⁴⁷ *Ibid.*, pp. 276-277.

⁴⁸ Drucker, P.F., (1993) *Post-Capitalist Society* (Czech translation "Postkapitalistická společnost"), Oxford: Butterworth-Heinemann, p. 86.

The growing call for a co-ordination of efforts to resolve the major problems of our rapidly changing world should not omit ideas from the social teaching of the Catholic Church, so that the dignity and value of workers is not endangered again by transformations in the means of production.

VI. ROLE OF TRADE UNIONS

The resolution of the current problems in the world of labour also requires co-ordinated efforts on the part of employees. This offers the possibility that the traditional trade unions now take over a new role corresponding to the new requirements. It has generally been established that the proportion of trade union members is declining over recent years in many countries. The following reasons are given:

- the decline of the industrial sector with a traditionally high level of trade union membership
- the growing employment of women and part-time employees
- the growth of small companies, where it is difficult to establish trade unions, especially if in small “high tech” companies the employees do not give great significance to trade union membership.

The level of membership did not decrease in countries where government policy was not directed towards weakening trade unions, e.g. in Canada, Austria and Scandinavian countries.⁴⁹

The reasons for the decline in trade unions’ membership do not consist only in the shift of employment to smaller enterprises or to service enterprises. Kochan and Wever rightly state that a

“comprehensive explanation must take into account changes in the structure of economics, the growing resistance of management towards trade unions, the growing innovation of management within the policy of personnel and human resources and the failure of workers’ movements in the area of development of new organisational and representative strategies which would suit employees in developing employment and sectors”.⁵⁰

It seems that the latter reason is the most important. The trade unions, which considered themselves to be a tool for class struggle, have not recognised that under new conditions they have to look for new forms of

⁴⁹ Clarke, O. & Niland, J. eds., (1991) *Agenda for Change: An international analysis of industrial relations in transition*, Sydney: Allen & Unwin, pp. 6-7.

⁵⁰ *Ibid.*, p. 31.

protection of the workers' interests. They have overlooked that under these new conditions protection must be realised in different ways and by different methods.

Experience confirms that in enterprises where the company management worked together with trade unions at the implementation of HRM methods and at improving working conditions, it proved beneficial for management, employees and the trade unions. In those enterprises where the trade unions obstructed the implementation of the employees' share in the productive capital, fearing that the employees as co-owners would not need the trade unions any more, this was detrimental to all, including the trade unions' position.

For example, when the trade unions in the Czech Republic (with the exception of the Christian trade unions, "Labour and Freedom"), did not agree with the introduction of company councils as organs for arbitration, fearing that they would cease to be the only representative of the employees, they did not help the employees or themselves. They do not have the legal competence to defend adequately the individual interests of employees, although they were the only representatives of the employees.

Catholic social teaching considers the free establishment of trade unions to be a basic human right of workers. It stresses the right of trade unions to protect vital interests of employees. Nowadays this protection needs to take new forms and methods.

Trade unions are no longer concerned with the renewal of the class struggle, but rather with asserting a democratic culture of labour including advocacy of co-ownership in productive capital or co-entrepreneurship in companies. Trade unions are not weakened by this. Even in Mondragon, where the members regard themselves as co-owners, there still exist social councils which play the role typical of trade unions. Trade unions need to search for ways to protect employees in small companies which cannot be organised directly under trade unions at the worksite due to the negative attitude of employers. This would consist in the protection of unorganised and peripheral groups in the population, people employed on short-time contracts, immigrants, and the unemployed. These are groups that need help and protection more than anyone else. In the Czech Republic, for example, the employees in small privatised companies are often ruthlessly manipulated by their employers, who frequently fail to respect even the most basic directives on working conditions. It seems that the attempt of the Christian trade unions "Labour and Freedom" to organise these employees into regional bodies and provide them with help from these agencies has had positive results.

Problems of social solidarity arise at various levels and represent new

challenges for labour integration on a supra-national and global scale.⁵¹ In this connection the world movement of Christian Workers faces new challenges and tasks. The need for co-ordinated efforts on a global scale is also justified in order to address the problems of social solidarity.

VII. THE POSSIBILITIES OF A DEMOCRATIC CULTURE OF LABOUR AND THE COMMITMENT OF CHRISTIANS

The examples given of using elements of a democratic culture of labour, as in the case of HRM methods, in companies introducing co-entrepreneurship with their employees, and last but not least the example of humanistic democratic enterprises in Mondragon, confirm that a democratic culture of labour in the modern world is not a utopia, but a realistic alternative. They confirm that Catholic social teaching is not an abstract theory, but that it can be the point of departure for realistic solutions which fully respect human dignity and the value of working people which are congruent with trends in developed society.

The example of Mondragon and of other enterprises co-owned by their employees demonstrates that the priority of labour over capital need not be a mere ethical injunction, but can represent a concrete economic relationship in which workers cease to be an "expense item", whose minimisation is in the interest of an increase in profit, but become co-workers and co-entrepreneurs, participating in company activities and finding satisfaction in their work.

It is true, that elements of a democratic culture come into play largely in developed countries. They will have to become the subject of interest sooner or later in other countries, which seek to get into the front line of economic development. That is why practical examples of implementation of these elements demonstrate that these are realistic possibilities — concrete choices. They also confirm that the implementation of a democratic culture of labour make a valuable contribution to the economic results of the enterprise.

The possibilities of implementing this culture are not limited to companies at an advanced technical or technological level. The best and most successful example of a democratic culture of labour is precisely the Mondragon co-operative experiment, which was started and successfully developed in a Spanish backwater, without external help. It managed to withstand rough capitalist competition and has proved its viability.

⁵¹ Schasching SJ, J., *Catholic Social Teaching on Labour, Work and Employment*.

It appears that the possibilities inherent in a co-operative system are not yet fully appreciated from the point of view of developing a democratic culture of labour. It seems that economic democracy constitutes a large reserve for market economies and one compatible with implementing the resources of Catholic social teaching.

However, it is not sufficient merely to state that the ideas of this teaching are not something distant or abstract, but that they actually correspond with trends in developed economies. There is now the responsibility for Christian action, which is all the greater, due to the intensification of new problems whose resolution requires a co-ordination of common efforts. The concern is not confined to environmental danger, but also relates to the threat that a new "class" of unqualified workers with low productivity will be formed, as Professor Robert B. Reich highlights in *The World of Nations*. This can open up new social conflicts in which the chances for a democratic culture of labour could well be lost again.

That is why analysing these problems and searching for suitable solutions is of the utmost importance. Practical implementation of solutions, inspiration by successful examples, and the quest for new types of fair relationships at work and in society are so imperative that Christians cannot stand on the sidelines.